DEMONSTRATION CITIES, HOUSING AND URBAN DEVELOPMENT, AND URBAN MASS TRANSIT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING

OF THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 12341

A BILL TO ASSIST CITY DEMONSTRATION PROGRAMS FOR REBUILDING SLUM AND BLIGHTED AREAS AND FOR PROVIDING THE PUBLIC FACILITIES AND SERVICES NECESSARY TO IMPROVE THE GENERAL WELFARE OF THE PEOPLE WHO LIVE IN THESE AREAS

H.R. 12946

A BILL TO PROVIDE INCENTIVES TO PLANNED METROPOLITAN DEVELOPMENT AND TO OTHERWISE ASSIST URBAN DEVELOPMENT

H.R. 13064

A BILL TO AMEND AND EXTEND LAWS RELATING TO HOUSING AND URBAN DEVELOPMENT

H.R. 9256

A BILL TO AMEND THE NATIONAL HOUSING ACT TO PROVIDE MORTGAGE INSURANCE, AND AUTHORIZE DIRECT LOANS BY THE HOUSING AND HOME FINANCE ADMINISTRATOR, TO HELP FINANCE THE COST OF CONSTRUCTING AND EQUIPPING FACILITIES FOR THE GROUP PRACTICE OF MEDICINE OR DENTISTRY

(AND RELATED BILLS)

PART 2

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DEMONSTRATION CITIES AND URBAN DEVELOPMENT

THURSDAY, MARCH 10, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:05 a.m., in room 2128, Rayburn House Office Building. Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Moorhead, St Germain, Gonzalez, Reuss, Fino, and Harvey.

Mr. BARRETT. The committee will come to order.

Our first witnesses this morning will be Alan L. Emlen, chairman, Realtors' Washington Committee, to represent the National Association of Real Estate Boards, accompanied by Mr. John C. Williamson, director, department of governmental relations, who is a very old friend of this committee and very well respected by all the members of both sides of this committee. He is also accompanied by Mr. Charles Stewart, director of public affairs of the National Association of Real Estate Boards.

Mr. Emlen, Mr. Williamson, and Mr. Stewart, will you kindly come to the witness table?

STATEMENT OF ALAN L. EMLEN, CHAIRMAN, REALTORS' WASHINGTON COMMITTEE OF THE NATIONAL ASSOCIATION OF REAL ESTATE BOARDS; ACCOMPANIED BY JOHN C. WILLIAMSON, DIRECTOR, DEPARTMENT OF GOVERNMENTAL RELATIONS, AND CHARLES STEWART, DIRECTOR OF PUBLIC AFFAIRS, OF THE NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

Mr. EMLEN. Mr. Chairman, I would like to introduce Mr. Charles Stewart, director of public affairs of the National Association of Real Estate Boards and I ask that he be permitted to sit with me.

Mr. BARRETT. Come right up, and make yourself feel at home.

Mr. Emlen, I want to take this opportunity to welcome a fellow Philadelphian and past president of the Philadelphia Board of Realtors. I understand that you are past chairman of the Board of Supervisors in the township of Whitpin, of Montgomery County, Pennsylvania, and you are also a former commissioner of professional affairs in Governor Scranton's administration.

I have noted with considerable interest, Mr. Emlen, recent statements in the Philadelphia press that you have gone on record in support of the rent supplement program. We certainly welcome you as a

friend in the ranks of those who want to do something to help the low-income families obtain decent homes.

I certainly in some respects may disagree with your remarks about the pending legislation, but I can say without hesitation that you are right on the rent supplement program.

If you desire to read your testimony in full before we ask any questions you may do so, and if there is any other approach that you are desirous of taking, we will abide by whatever you think is best.

You may proceed.

Mr. EMLEN. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I am Alan L. Emlen, a realtor engaged in the business of real-estate brokerage in Philadelphia. I appear here today as chairman of the Realtors' Washington Committee of the National Association of Real Estate Boards. Our association consists presently of 1,519 local boards of realtors with a membership of 82,547.

We propose to comment on provisions of three bills pending before the subcommittee. We are aware of other bills which have been introduced during the past several weeks and have been referred to this subcommittee. These latter bills are under study by our association and we will endeavor to file supplementary statements on them in the near future.

We will cover the three principal measures in the order of their introduction.

H.R. 12341, THE DEMONSTRATION CITIES ACT OF 1966

Briefly, the bill would provide a monetary inducement to a limited number of communities to plan more comprehensively and to demonstrate more effectively their desire to improve the quality of urban life.

The incentive takes the form of the Federal Government absorbing up to 80 percent of the normal State or local share of a vast number of Federal grant-in-aid programs to the extent that such grant-in-aid programs figure in the demonstration project. In addition, the Federal Government would provide 90 percent of the cost of planning and developing these comprehensive city demonstration programs.

The fundamental weakness in the bill is that it seeks solely by means of increased Federal grants to induce the cities to do that which they should have been doing in the years when they prevailed on the Federal Government to execute billions of dollars in binding contracts for urban renewal including urban planning, community renewal planning, and general neighborhood renewal planning.

The proposal would have some validity if the Congress had been remiss in the past in supplying funds for urban planning. With respect to the three such programs presently in existence, we note the absence of any critique of these programs in the Secretary's testimony on February 28 before this subcommittee. As of December 31, 1965, 2,286 urban planning projects have been approved involving $99.9 million.

For more detailed planning the Congress has provided for financial assistance under community renewal programs and general neighborhood renewal planning. A total number of 146 CRP's have been ap-

proved involving approximately $23 million, and 232 GNRP's have been approved involving $128 million.

The programs have been repeatedly nurtured by annual housing and appropriations bills and the record is silent as to their shortcomings, if any. Now the Department of Housing and Urban Development tells us that these planning programs, along with the many grant-in-aid programs such as urban renewal, are insufficient and that something dramatic is needed—a bold new course of action—to induce the cities to exploit existing Federal programs more zealously. The antidote is more money—this time an approximate $400 million per year over each of the next 6 years.

Let us examine for a moment what this $2.3 billion will do. The Secretary, on page 2 of his detailed statment filed with the subcommittee, advises that the money will provide for "massive additions to the supply of decent, low- and moderate-income housing."

How will this be accomplished when none of the basic housing statutes involving low- and moderate-income housing is amended by this bill? Will it provide more public housing? It cannot because Congress last year fixed the annual rate of unit authorizations. Will it provide more section 221(d)(3) below-market-rate housing for moderate-income families? No, because FNMA special assistance authorization is fixed by prior law. Will it provide more rent supplement projects? Here, too, the Congress last year approved a level of activity for the next 4 years—a level which is not disturbed by this bill.

The Federal grant-in-aid programs qualifying under this bill amount to approximately 70. According to the Seventh Annual Report of the Advisory Commission on Intergovernmental Relations, 25 new Federal grant programs, or major expansions of existing programs, were enacted by the 1st session of the 89th Congress. Thus the Congress has been most generous in its approach to Federal grant-in-aid programs. The authorizations for these are not increased by this bill, yet $400 million per year is being offered as an inducement to exploit these programs more zealously and more efficiently.

When the Congress last year created the Department of Housing and Urban Development, the new Department received a mandate to create a Director of Urban Program Coordination who—

> shall develop recommendations relating to the administration of Federal programs affecting such problems, particularly with respect to achieving effective cooperation among the Federal, State, and local agencies concerned.

Now the Department, for all practical purposes, came into existence when the Secretary was confirmed by the Senate on January 17. Ten days later the Department requested this legislation to pump more than $2 billion to achieve a degree of activity and coordination which the Congress last year thought could be accomplished through other and less costly administrative devices.

We wonder what would have been the reaction of the Congress last year if section 4(c) of the Department of Housing and Urban Development Act had included a third clause so as to read:

> Subject to the direction of the Secretary, the Director shall, in carrying out his responsibility, (1) establish and maintain close liaison with the Federal departments and agencies concerned and (2) consult with State, local, and regional officials and consider their recommendations with respect to such programs and (3)—and here are my words—disburse $400 million per year to se-

lected cities who will take advantage of existing Federal grant programs in a more efficient manner.

We respectfully suggest that it is time to stop attempting to spoon feed the Congress and the people in the area of Federal assistance to urban communities. We should recognize that a gap in local initiative cannot be bridged by money alone.

Perhaps if the Secretary first proceeds to implement section 4(c) of the Department act, he will discover that the shortcomings which he proposes to solve only with money are too fundamental for such a remedy.

The House Government Operations Committee is considering S. 561, a bill which passed the Senate last year and has as its purpose "to achieve the fullest cooperation and coordination of grants-in-aid." S. 561 would not cost any money, hence lacks the drama associated with a gift of $400 million a year to the cities which, in the Secretary's words, are "willing to face up to their responsibilities, willing to commit their energy and resources, willing to undertake actions which will have widespread and profound effects on the social and physical structure of the city."

H.R. 12946, THE URBAN DEVELOPMENT ACT

Title I of this bill provides for added grants—up to 20 percent of project cost—for eight specific Federal grant-in-aid programs for those metropolitan areas which establish areawide comprehensible planning and programing. These plans must be adequate for evaluating and guiding all public and private action of metropolitanwide or interjurisdictional significance.

This proposal is presently under study by the Realtors' Washington Committee, and I am therefore not prepared to make a specific recommendation to the subcommittee. However, our study to date prompts us to raise certain questions about the proposal.

First, I want to assure the subcommittee that we are cognizant of the shortcomings in metropolitanwide planning involving great numbers of separate and distinct corporate political entities within each of the 227 standard metropolitan statistical areas.

We note that urban planning grants involving $31.1 million have been approved for 408 metropolitan and regional areas, as well as 88 projects involving $12.3 million for statewide agencies. The Secretary's testimony did not give an evaluation of these but the subcommittee might request such an evaluation in determining the need for a new metropolitan planning grant program to be superimposed over the existing one.

Under this title the county, municipality, or other general-purpose unit of local government, to qualify for the grant, must satisfy the Secretary that its land-use controls, zoning codes, and subdivision regulations, unrelated to the project qualifying for the added grant, are effectively assisting in and conforming to metropolitan planning and programing. The Secretary in his testimony on February 28 disclaims any desire to promote so-called metro forms of government, yet we wonder what would be the nature of the assurances which would satisfy the Secretary; and what would be the recourse of the Department should the public body receiving the grant fail, at some subsequent time, to meet its obligations.

Title V of S. 561, a bill to which I have previously referred, addresses itself to the need for comprehensive planning of land uses for residential, commercial, industrial, and other purposes and other facets of urban development. Areawide, metropolitan, or regional planning will be required as a prerequisite to the grants under the eight projects set forth in the bill before this subcommittee. The only difference is that S. 561 would require this comprehensive planning as a condition for grants as presently constituted. The bill before the subcommittee wants to do the same thing by increasing the Federal share. S. 561 has aroused little interest because it wants the State and local governments to accept responsibility without giving them more money. We thus have the rather strange situation of two House committees simultaneously considering the same subject in two different bills. To compound the complexity of these developments, we note from page 144 of the President's budget that he recommends the enactment of S. 561.

There are two provisions in H.R. 12946 which we group under the subject "Government Control of the Land." These are section 201, which would expand title X of the National Housing Act to conform to the "new town" proposals made in 1964 and 1965; and section 208, providing loans to State land development agencies for the advance acquisition of land. Both proposals have been rejected twice by the Congress—in 1964 and again in 1965.

We opposed these two provisions when they were recommended earlier. We said then, as we reiterate now, that they are unnecessary, that they represent an unwarranted intrusion of government in the control of the future use of land, and that they would lead ultimately to the federalization of the Nation's communities. Under the proposed amendments to FHA title X, the Secretary would have the power to force his standard of every aspect of community life onto the plan for the new community.

Our concern is not allayed by the fact that this new Federal assistance under title X would be permissive—available only if the developer accepts the Department's standards. A $25 million mortgage supplied through FNMA special assistance is sufficient to give the Department a predominant role in all future new town developments.

The land development proposal is even more objectionable than the provisions rejected by this subcommittee in 1964 and 1965. Under the language of this bill, municipalities would be included as beneficiaries of this financial assistance. Thus any incorporated community would be encouraged to acquire land in the path of urban expansion and parcel it out at some future date to developers and builders who will develop the land in accordance with plans previously approved by the Department.

If either of these provisions were approved, instrumentalities of Government would determine the direction of urban expansion, who would do the developing, and on what terms.

In Secretary Weaver's book "The Urban Complex," he says:

> * * * we seek to recapture control of the use of the land, most of which the Government has already given to people.

Each of these provisions would take a significant step toward accomplishment of this objective.

Last year, the HHFA announced that the FHA "will avoid acceptance of applications for mortgage insurance on properties which would be competitive with the urban renewal development, unless sufficient market demand is evident for both. Because of the Federal interest already committed to the success of the urban renewal project, FHA will not jeopardize the market for the proposed housing in the urban renewal area by issuing commitments to insure loans on other housing that would preempt the market demand for housing planned in the urban renewal project area."

Applying this principle to the new towns, which would also involve a federally committed interest, we view the proposal as adversely affecting private development through FHA in any of the surrounding area upon FHA determination that both might compete for the same housing market.

Last year we submitted for the record excerpts from two issues of House and Home magazine listing 61 new communities being developed by private enterprise without Federal assistance in land assembly and site improvement. During the 1965 hearing before this subcommitte, the then HHFA Administrator's only comment on this evidence was admiration for what private enterprise was doing and a desire to help them do better. We respectfully suggest that the involvement of the Federal Government into new subsidy programs should rest on a firmer foundation. Certainly we ought to see how well the existing title X program, with its $10 million ceiling, works prior to increasing this amount to $25 million and enlarging the scope of the Secretary's powers. The burden of proof is on the Secretary to justify his case for the Federal Government's further involvement in controlling the future use of land. He has submitted no evidence that private enterprise is unable to accomplish this purpose. On the other hand, the preponderance of the evidence points to the impressive record of private enterprise in this area, accomplished without Federal criteria to determine whether the plans for the new community are appropriate, and without Federal financial assistance in the assembly of the land and its site improvement.

H.R. 13064, THE HOUSING AND URBAN DEVELOPMENT AMENDMENTS OF 1966

We are limiting our testimony on this bill to the two sections relating to privately owned housing leased by local housing authorities in making available existing housing for rental to low-income families.

The first of the two amendments—section 104 of H.R. 13064—would permit local housing authorities to lease dwellings without regard to the 1- to 3-year lease limitation provision where the housing is needed for low-income families displaced by Government action. The justification for the amendment is to remove any threat of dislocating the family, again presumably after the 3-year lease expires. When we realize that the normal lease for rental housing is 1 year and month-to-month thereafter, the argument for leases of perhaps 10 to 20 years has no validity. This program is designed to make privately owned housing available for low-income families. A long-term lease makes the housing for all practical purposes publicly owned. The amendment is unnecessary; it makes a fundamental change in a worthy program enacted less than 1 year ago, and the amendment should be rejected.

The second amendment—section 105 of the bill—involves an even greater and more fundamental departure from the program as originally conceived and enacted. As we said earlier, the purpose of this program is to make adequate existing housing available for low-income families.

The amendment would change so-called section 23 housing from one limited to the leasing of existing houses to one which would be available for the leasing of both existing and new housing. Of the 60,000 public housing units per year authorized by the 1965 act the Public Housing Administration advises that 10,000 units would be available for section 23 housing. If this amendment is approved, all of this allocation could be directed to new construction, thereby negating the purpose and intent of the Congress in enacting section 23. The House report on the 1965 act devotes considerable language on pages 11 and 12 emphasizing that this program is designed to tap the supply of privately owned existing housing as a supplement to the basic program of new construction. The proposed amendment permits the Department to change section 23 housing to new construction. It should be rejected by this subcommittee.

Mr. Chairman, that concludes my testimony.

Mr. BARRETT. Thank you very much, Mr. Emlen.

Even though I cannot agree fully with your statement, it is a well-done statement and I am sure both sides will look at it very carefully.

However, Mr. Emlen, your statement is critical of the President's demonstration grant proposals and I gather that the primary reason you are opposed to the supplemental grant is that you feel that Congress has already given the cities ample funds through the urban renewal program.

Now, you may know that even though we authorized about $700 million a year for the last 4 years, that this authorization has proved, I would think, totally inadequate. There is a large backlog now of approximately $500 million in applications for which no funds are available and the backlog is rising rapidly.

I want to ask you this question. It would seem to me that your position logically is a recommendation, instead of providing additional funds for supplemental incentive plans, that we should greatly increase the authorization for urban renewal funds. Would that be a fair statement of your position?

Mr. EMLEN. Well, if I interpret your question correctly, would my answer be that we should reject this cities demonstration bill and increase urban renewal allocations under existing programs to take care of this backlog? Of the two alternatives, yes; our association, Mr. Chairman, has been consistently for urban renewal over a period of many years and now our policy statement has reflected it. Therefore, if the situation exists where we have a backlog of applications and funds are not available to take care of this backlog, then under existing programs which we already approved, I would suppose my answer would be "Yes."

Mr. Stewart, would you like to add anything to that?

Mr. STEWART. Well, as to the demand for a demonstration program, we have had a degree of Federal cooperation in the cities in this field now since 1949 and I think that our association feels it has produced some demonstrations, that it is not necessary now for the Federal

Government to establish a new, separate program and in a small number of cities for the purpose of producing demonstrations.

I believe most people in our association will say that Charles Center in Baltimore is an impressive demonstration and Southwest Washington is an impressive demonstration and Constitution Plaza and many other projects that have been done with this do set an example for cities.

We are not at all clear as to why it is felt that now, after all these years of rather close cooperation with the cities, there is a need to demonstrate that the program will work.

As to facing up, that was heard throughout the discussions of the 1954 act which moved the previous urban redevelopment program into a broader range so as to put the label urban renewal on it. The key to that was that the Federal assistance to be made available to the cities would not be on a grab-bag basis, but only for those cities that faced up to their own obligations, using their own resources and own powers. Many governmental powers that must be used in this field do not belong to the Federal Government. There are certain police actions in the field of health and safety that only the municipal government can take and so the theory of the 1954 act which our organization endorsed, was that to qualify for this Federal cooperation the city must face up. The city must make this series of commitments that it would do thus and so with its own power. That presumably has been imbedded in the policy of the urban renewal program since 1954.

But again, we are hearing now that the cities are to be given extra rewards for facing up. We feel that this is not consistent with the 1954 policy—with the 1954 act which was an assistance and was available only if the cities face up.

Mr. BARRETT. Thank you. Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Mr. Emlen, perhaps you are familiar with the demonstration city bill that I have introduced. My bill provides that the coordinator be changed, the Federal coordinator title be changed to "information officer." It generally tries to eliminate the connotation of the heavy hand of Federal control in this whole picture.

Do you think this would be a better approach, this change of title of this coordinator?

Mr. EMLEN. Mr. Fino, our answer I think would be that if the demonstration city program were enacted, and this additional money was to be made available, then why aren't the people of the United States entitled to have a Federal coordinator to watch over the money that is being put into these cities?

My answer would be, "We don't want either." But if it were enacted, the Federal coordinator, it seems to me, isn't a very important part of it and we wouldn't object to his being there if the bill were enacted.

Mr. FINO. Well, some fear has been expressed that the so-called Federal coordinators will change building codes, change building laws—this is the fear that some have—that city administrations will reorganize themselves along their own ideas and suggestions. How do you feel about that? Forget about the title. You say you are not so much concerned about that. How would you like to have a fellow come in and do that?

Mr. EMLEN. I was here when you used the word "commissar" and I saw your article in the Wall Street Journal and I think that it is likely to be implicit in the appointment of this person that politics could enter into it and pressure from the Federal level. It is possible, I suppose, that this coordinator would have a useful purpose to be looking after Federal money.

It is a difficult question to answer because I am against the bill, so therefore, I am against the coordinator. However, I do see the usefulness of having somebody there to watch things.

Mr. WILLIAMSON. If the cities are going to come to the Federal Government for money to help solve problems which are inherently local, I think they must accept a good degree of Federal direction, even more than mere coordination, because somebody has to be responsible for the public interest. If it is Federal money, the Federal Government has to have its finger in it.

Mr. FINO. This brings into light the statement made in Secretary Weaver's book, "The Urban Complex" where he said, "We seek to recapture control of the use of the land, most of which the Government has already given to the people."

Under the demonstration cities bill the Federal Government will take almost the entire cost of these programs. Do you think it is accurate to say that the aim of these wholesale subsidies is to have increased Federal power more than anything else?

Mr. EMLEN. Yes, we feel that way. Our association very definitely, in our discussions, reflects that opinion.

Mr. FINO. Following that line of thought, do you think this bill gives the Secretary of Housing and Urban Development—gives him too much over any city in this program?

Mr. EMLEN. Yes, sir.

Mr. FINO. There is also fear, and I have read this in several magazines, there is also fear that this kind of program will divide the country into new Federal community development districts, a new political unit, which will look to the Federal Government rather than to the State for guidance and direction, that this will be a first step in a master plan to bring complete economic and social changes to rural areas. Would you care to comment on that?

Mr. EMLEN. I think that much of the statement you just made reflects my reaction to Dr. Weaver's 32-page statement last week. I think it runs all through his testimony and comes out exactly the way you stated it.

Mr. FINO. Would you prefer to see demonstration city funds restricted to use in slum areas of our cities with the unrelated Federal programs being totally divorced from the demonstration cities program?

Mr. WILLIAMSON. You mean to have the demonstrations provided to the cities to do this job, but not relate them to increasing the Federal share of specific Federal grant-in-aid programs?

Mr. FINO. Yes.

Mr. WILLIAMSON. The question is whether the Federal grant-in-aid programs are adequate to do the job. We think they are with the existing ratio. We think the communities haven't exploited these programs as efficiently as they should. We think there has been too much apathy and too much indifference. We think that local officials

have been preoccupied, for instance, in urban renewal. We think they have been preoccupied in going beyond the original purpose of the program, becoming involved in vast commercial and industrial enterprises.

I think that the ills associated with all these grant-in-aid programs are to be found in the approaches of local officials to their use.

Mr. FINO. If the demonstration city program is enacted into law, New York City, Philadelphia, Pittsburgh, Milwaukee, and if they are not selected as demonstration cities, what would you say their chances are of obtaining new urban renewal programs?

Mr. EMLEN. We were discussing this earlier, and I think if these cities—if any city didn't come under this demonstration city program they might be shut out.

Mr. FINO. On the demonstration city program, because of its financial needs and its concentration on a very limited number of cities, would it not seriously place in jeopardy new urban renewal operations outside the demonstration city programs?

Mr. WILLIAMSON. It is possible that if the demonstration grants bill is enacted, most of urban renewal will be concentrated in the demonstration cities. Because there is going to be—they are bound to have a priority—the demonstration cities will be preferred and you have so much money that you can spend just like you have so many public housing units, so much FNMA special assistance, and the demonstration cities are bound to be preferred and will gobble up most of the money.

Mr. FINO. Just another question. This is not particularly related to the subject matter at the moment, but I never thought I would see the day when some members of the real estate boards were coming out for rent supplements. But let me ask you. When you people got your heads together and decided that this was a great idea, did you give any consideration as to what ceilings you have on this? How poor are the poor?

Mr. EMLEN. We had, in arriving at our conclusions on this rent supplement program, and I am not surprised that some people are surprised that the National Association——

Mr. FINO. Some were shocked.

Mr. EMLEN. Some were. I guess they were. We had, last fall, very long discussions about what a poor person is, and of course, the obvious conclusion was that it varied geographically. There were attempts by some of our members to set monetary ceilings in our recommendations and it was concluded that that was not the proper thing to do, for that reason, the geographical differences are so great. But we did make it very clear that our approval of the rent supplement program was predicated on directing this program to the truly poor people and to get it out of the so-called middle-income bracket, say, from $5,000 to $8,000 or $9,000 and to keep it down to, we will say for purposes of big cities, closer to the $4,000 level. The FHA redrafted its guidelines for admission to rent supplement projects, we liked the net asset limitations that were set, and we subsequently endorsed the program. We think that it is an excellent opportunity to demonstrate that something has finally been found that is better. We are very interested in seeing the program funded, and hopefully we would like to see it continued on and on and on and would like to bet that it might be an answer to public housing.

Mr. WILLIAMSON. Mr. Fino, back in the fifties and forties I remember testifying with our witnesses in support of the rent supplement idea as an alternative to public housing, so this wasn't a new policy position for our association.

Mr. BARRETT. Will the gentleman yield?

Mr. Emlen, does this not warrant a tremendous commendation for the real estate boards when they have found they have made a mistake? Does it not show the bigness of the boards to come out and say, "We made a mistake, we realize it." Would it not be possible that while you oppose the demonstration cities program now, that ultimately you may come before the committee and say back in 1966 we made a mistake again and we are coming here today to clarify it. I would hope that it will happen. Thank you.

Mr. FINO. Again, we hope we might see you in the future coming back and saying, after this so-called experiment is tried that we realize the mistake that we made and we want to correct that mistake that we made on top of the mistake in the first instance.

Are you familiar with the rent ceilings on 221(d)(3)?

Mr. EMLEN. I will have to defer to Mr. Williamson.

Mr. WILLIAMSON. Yes, on the 221(d)(3), the below-market rate program; yes, we are.

Mr. FINO. Do you feel that we should have rent supplements in the 221(d)(3)?

Mr. WILLIAMSON. Absolutely not. That is why last year we opposed the rent supplement program as advocated by the administration because it was limited to the families whose incomes were within the eligibility ranges of the 221(d)(3), below market interest rate program. We argued that 92 percent of the American families in the $4,000 to $8,000 income brackets are adequately housed, that there is no justification for a subsidy for families in that income group. Any subsidy should be directed to those in the low-income groups and they are the ones who are within the eligibility range of public housing; and while there have been some abuses in certain areas we think by and large public housing has served the very low income families.

Mr. FINO. Do you think the rent supplements should be applicable or should be qualified for subsidized housing like in New York City where they have housing that is subsidized, low interest?

Mr. WILLIAMSON. You are referring to your release of yesterday, are you not, Mr. Fino? I think you mentioned that. Our position is that we are opposed to the double subsidy.

Mr. FINO. That is what it would amount to.

Mr. WILLIAMSON. That is why we like the rent supplement program, because that program does not have the hidden subsidies of public housing. It is fully taxable. It is financed in the private unsubsidized mortgage market. It is going in the front door so people will know exactly what it will cost to subsidize the poor.

Mr. BARRETT. The time of the gentleman has expired.

Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

Mr. Emlen, I gather from your testimony that you are interested in the use of more Government funds for urban renewal to improve the grounds and the buildings and so forth—improvements in the community area generally. But you are not in favor of the Federal Gov-

ernment concerning itself in the social problems of the people. This is what the Demonstration Cities Act would do; would it not?

Mr. EMLEN. Well, my answer to that would be, that people are one of the problems inherent in existing urban renewal programs. There are built-in problems in urban renewal that cannot be whisked away with money. The dislocation and relocation and the necessity, sometimes, of treading on people's rights are problems that are inherent in urban renewal programs and we can't see that the demonstration cities bill can cure this problem.

Mrs. SULLIVAN. Has not one of the criticisms of urban renewal been the fact that it has displaced people without really making adequate relocation plans—adequately taking care of those who are displaced?

Mr. EMLEN. That is right.

Mrs. SULLIVAN. So that in this kind of legislation we are discussing now, the idea is to look at the whole problem and try to work out a unified plan of action to combine the renewal work and the social rehabilitation and improvement?

Mr. EMLEN. My answer would be that we think that under existing urban renewal programs, the grant-in-aid programs, that these problems can be worked out as well as they can be worked out if this other program is not superimposed. If this other program is superimposed, it is not going to take care of the problems you address yourself to.

Mrs. SULLIVAN. That would be true only if we have better coordination—to try to see the whole picture and to work with all of the problems at once and bring all of these programs together, and this takes into consideration the retraining program, and the poverty program in general. You are working not only with renewing the blighted areas of the city, but you are also trying to uplift the people to learn to meet the conditions of living in the modern city.

Mr. EMLEN. I will agree with that. The poverty program and some other things aren't in there and my answer is simply that we fail to see the significance of this specific bill toward accomplishing these goals.

Mr. WILLIAMSON. The missing link in this entire area is really one of coordination, and the Congress addressed itself to that task when it created the Department of Housing and Urban Development and directed the Secretary to create the Director of Program Coordination. Throughout the bill—in the legislative history of the Department bill—is this great need for coordinating the great number of urban development programs that are scattered throughout all the agencies. Apparently this bill was in the making before the Department bill was enacted and I think that the Secretary should go ahead and create this Director of Program Coordination and to use the authority that is in the Department Act to try to bring about this degree of coordination. I do not think these problems are going to be solved by just pouring more money into all of the grant-in-aid programs.

Mrs. SULLIVAN. I agree with you—it is not just a matter of money; it is a matter also of planning and coordination. But I think you can recall, back when we first went into this program of building public housing and trying to find other ways to provide decent housing, that the housing authorities in the cities were wholly concerned with bricks and mortar and when we brought up the need for a wider range of assistance to the occupants, they said their main concern was providing

the housing, and that is what they felt they should do, and what they concentrated on. But frankly, you do not make a success of upgrading many these families by just providing good housing. You have got to find some way to get the people to understand how to live in this housing and use it properly and cooperate with their neighbors, and I think this is the whole problem that is involved here—how best to do that. And you must also convince the public that the program works effectively in that direction.

Mr. EMLEN. Mr. Stewart wanted to add something to your answer.

Mr. STEWART. Simply a comment on Mrs. Sullivan's basic question as to the interest of people in social problems as against what you might call an economic interest.

Now, as fundamental supporters of the urban renewal program, it is clearly a matter of record that our most persistent criticisms of the administration of the urban renewal program have been that it has seemed to veer away from the problem of residential environment—wretched residential environment—into saving commercial centers. Our original support, for the reasons we endorsed at the outset, was based on our concern for poor residential environment, the poor quality of living environment. We have not been disposed at all to applaud its veering away from social objectives to an economic one which you do find.

Mrs. SULLIVAN. I realize that people in your type of business are not supposed to be responsible for social problems of the people with whom you do business. But when they are being handled——

Mr. STEWART. We have been concerned with people and I think our feeling—it could be said that our feeling is that the answer is not so much a matter of administration—a matter of administrative coordination, as it is in fundamental objectives at the outset of the program. The cities are in a good position to use the program to ameliorate those situations and very often they are the least rewarding, they are the most difficult to go into these areas. They don't always catch the imagination of the whole community like some do. But persistently we have urged that the accent in urban renewal programs be in that field where it starts, in the old, rundown residential areas.

Mrs. SULLIVAN. Many times the objective is lost sight of as you get to work with these things. I think the objective had been lost sight of for many years. I know that in the past few years the cities have been doing as much as they possibly could in rectifying the mistake involved in believing that the people could do this on their own accord. I feel that this legislative proposal is a very imaginative one. We are not certain how it would work out, however, and that is the reason why we have these hearings—so that we can search for, and try to discover, the very best way to meet the problem. It does no good, in my opinion, to spend all this money on urban renewal and then neglect really basic needs of the people who are living in the areas.

I just have one other question that I wanted to ask you and I realize this does not involve cities particularly, but there came to my office this morning a picture which was taken in one of our small towns in Missouri of some housing built through the Farmers Home Administration. They are trying, through legislation that we proposed a number of years ago, to build low-cost housing for the elderly. I thought this was extremely exciting to see. That they have built some court apartments for the elderly in this small town with low-interest-

rate money—I think it is 3⅞ percent. They built efficiencies and one-bedroom apartments, furnishing them with heat and with a refrigerator and stove in the kitchen, but with the other furnishings being provided by the tenants themselves. They rent these efficiencies for $35 a month, including the heat, refrigerator, and stove, and the one-bedroom apartment for $40 a month. These are in a small town and I know the cost of land is not as great as it is in the city. But I also know that even in rural areas private builders and real estate firms cannot get into this rental range without some subsidy such as the low interest rate. I think this is something that is quite exciting, however. I have photographs in color showing the residents in these little apartments. We need to do things like this in the city. But, once again I repeat that you cannot just build the buildings and say: "All right, here is a good, clean, modern building, now live in it." We have found in the cities today, because of the migration of people from rural areas into the city, you have got to do more social service work and educational work to help them to adjust to the city. I sincerely hope the proposal now before us might enable us to take this whole picture into consideration and do the whole job—not just part of it which involves housing construction. That, I am afraid is too haphazard.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Thank you, Mr. Chairman.

Mr. Williamson, I would like to direct the first question to you, because your organization is now supporting the rent supplement and rent certificate program and I wonder if you personally or your organization had any preference between the two?

Mr. WILLIAMSON. Well, we think the great hope for the low-income family lies in tapping the existing house market, and as between the two programs—we think more of low-income families will be assisted through the so-called rent certificate program. The reason it looks as though we are favoring rent supplements is that we are spending more time on that because that happens to be the program that is in trouble. The rent certificate program is working and many of our real estate boards are working with local housing authorities on making available existing housing. That is why we are worried about these amendments which could make fundamental changes in the program.

Mr. HARVEY. That is what I was coming to next. Maybe—I am not sure whether I should be directing my question to you or Mr. Emlen.

How does the problem of overbuilding in the homebuilding industry today as far as apartments are concerned enter into this problem? Is overbuilding of apartments a serious threat in the metropolitan areas?

Mr. EMLEN. I think my answer would be from my own experience in the Philadelphia area, the overbuilding is directed to the income level which we are not talking about. We are overbuilding in the so-called luxury area. I think the chairman would agree that is locally true, but my knowledge doesn't extend beyond my own locality. But we haven't got the problem of overbuilding in cheaper apartment units.

Mr. WILLIAMSON. I think the FHA has done an excellent job in its market analysis and in approving applications for mortgage insurance for multifamily housing.

Mr. HARVEY. It is your answer that overbuilding does not enter into the problem, or do you feel it does enter into it?

Mr. WILLIAMSON. I don't believe——

Mr. HARVEY. Is this amendment here—is this——

Mr. WILLIAMSON. The amendment that would shift rent certificates to new construction? The purpose of that amendment is to permit the local housing authority to go to a builder who is going to build 100 single-family homes in a development and execute an agreement leasing, maybe, for 30 years, 20 of the units and use them for low-income families with a rent supplement paid by the local housing authority to the owner.

Mr. HARVEY. That gets to the next question. You feel apparently, and I share some of the same qualms, frankly, that a 40-year position is too long and yet Secretary Weaver has indicated that he feels that a 3-year limit is too short to encourage builders. Is there a happy medium for expanding the rent certificate program that you would feel satisfied with?

Mr. WILLIAMSON. If you are going to redirect the rent certificate program to the leasing of new construction, then I agree, that is not too long, because no builder is going to build with a commitment for only a 3-year lease. But I think the whole idea——

Mr. HARVEY. On the other hand if he had not built or not rented he might consider 3 or 5.

Mr. WILLIAMSON. I didn't get that.

Mr. HARVEY. If he has the apartment built and substantially vacant he might well consider less.

Mr. WILLIAMSON. The normal lease is a 1-year lease that many owners of existing rental units would be very glad to obtain.

Mr. HARVEY. Would you be in favor of giving the Department a greater, longer period of time than 3 years or something less than 40?

Mr. EMLEN. Our position is that we are afraid that if new construction gets into this we are going to destroy something that is just beginning to prove itself. To get back to my own area, we have a very large supply of good existing units to be used in this program and if the emphasis gets away from existing structures, we are going to waste an awful lot of good shelter and it would be a shame because the thing is just beginning to take hold and some of the real estate men and other owners are just beginning to find out about it and it would be a shame to stop it at this point.

Mr. HARVEY. Shifting your attention to H.R. 12946. I ask you this. What do you do with communities where all efforts at annexation have been thwarted? where you have communities? Where nothing else can be done to encourage the metropolitan planning since all efforts at the State level and local level that bring this about have failed? There is not much left other than to somehow encourage the new development of the metropolitan planning by grants. Do you have any other suggestion?

Mr. EMLEN. I would like to ask Mr. Stewart to speak on that.

Mr. STEWART. I think it is very clear that political unity of a greater metropolitan area is not acceptable. I believe the one example we have in all the United States is Dade County which is a rather mild form of it. What can happen, and what needs to happen is not so much the acquisition of funds for planning as willingness on the part

of the governmental units within the metropolitan to sit down and do certain things in cooperation. It is clear that if there are a dozen cities along the river, one of them can't take care of the pollution of the water. Even certain traffic features fall into that category. We have a beginning in this country, and perhaps a low level of activity, but we have it, a disposition on the part of the different governmental units to cooperate. If they have that attitude, they have already gained the main thing they need. They can get a grant for that now without any further legislation. The governmental units within a metropolitan may now form a loose voluntary association. In this area, the Metropolitan Council of Governments, for example, has received a Federal grant.

Mr. HARVEY. You cannot use the city of Washington as an example.

Mr. STEWART. This didn't accrue to it out of any particular legislation for this area. I understand there is a similar organization in Los Angeles County and in perhaps half a dozen other cities where there is a high degree of formal cooperation between the different governmental jurisdictions within it. If they achieve that they have achieved the main thing. I am talking about a willingness of cooperation.

Mr. HARVEY. Your answer, as I gather it, would be that you see the Government more in the role of an arbitrator in settling disputes between these various units rather than extending the grants to encourage metropolitan planning; is that right?

Mr. STEWART. I don't think it is a problem that should go to the Federal Government for its solution. We have had metropolitanwide action in various particular ways induced by the urgency of the problem.

Under the 701 program the Federal Government now has what seems to me a very alluring and powerful incentive. They can get a substantial grant to carry out metropolitan planning on metropolitanwide problems. They must agree to work out plans, the execution of which will call for their cooperative action, and this is available now. This was in the 1965 Housing Act.

Mr. HARVEY. Thank you very much.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

First, let me commend you on your support for the rent supplement program. I am totally convinced that public housing alone cannot do the job and something was needed and I hope that the rent supplements will work out and be successful.

My first question, gentlemen: Do I correctly understand your testimony that whether we enact this demonstration cities program or not, you recommended that either this committee or the Government Operations Committee, of which I am also a member, report to the House favorably a bill to establish a coordinator, a Federal coordinator to coordinate various Federal programs in the metropolitan area; is that correct?

Mr. WILLIAMSON. Mr. Moorhead, the creation of a Director of Program Coordination is already in the law. This is part of the Department of Housing and Urban Development Act, the Cabinet bill. The Secretary has not appointed that Director, and that Director has the responsibility to achieve coordination. Now, S. 561 does address itself to coordination and it is a good bill. We have supported

the bill, particularly title V which requires comprehensive planning as well as coordination as a prerequisite for existing grants-in-aid.

Mr. MOORHEAD. What we are looking for is coordination, not just at the Washington level, but in the localities to be sure that housing departments and the poverty program and the HEW programs are working together. This I favor and I take it that this is what you favor.

Mr. EMLEN. We favor it without this piece of legislation.

Mr. MOORHEAD. With or without. This is what I am looking for. I think even in those areas which are not selected as demonstration cities, if this bill were passed, there are still enough uncoordinated Federal programs and there should be a greater degree of coordination at the local level.

Mr. WILLIAMSON. Mr. Moorhead, I guess I have testified against the creation of a Cabinet-rank Department of Housing and Urban Development for several years and I remember Mr. Reuss questioning me rather thoroughly in 1962 or 1963. The principal thrust of that bill was the coordination of all these Federal programs that are designed to assist the cities. I think we can find in that bill the basis for a new degree, a high degree of coordination, if it is implemented. But this bill is not necessary—I don't think you have to give the cities more money to achieve coordination.

Mr. MOORHEAD. There is a thread running through your testimony that I would very much want to get some help in finding the answer to the problem you are reciting.

Mr. Emlen, on page 4 of his testimony, talked about a gap in local initiative. On page 1 he talks about the cities doing that which they should have been doing. Mr. Williamson talked about too much apathy and indifferences on the local level, the ills to be found in the local authorities and Mr. Stewart talked about the lack of willingness of the local authorities to cooperate.

In the testimony that is going to be presented by the chamber of commerce, they talk about the cities having the resources, but that the resources are not always mobilized effectively.

What you are saying to us is that there is something missing at the local level. What I want to ask you gentlemen is, Why?

Mr. EMLEN. I would like to just philosophize on this a little bit.

I have had some experience in township government in suburban Philadelphia where I was serving on the board of commissioners for 5 years.

I watched, for instance, the development of the suburban transportation complex that required an intercounty cooperation. There are five bedroom counties outside of Philadelphia County. I watched and had a hand in putting together the enthusiasm for getting these commuter trains, having the two railroads and the Philadelphia Transportation Co. work together on this business.

I am particularly aware that one county held out and held out and held out and would not join this compact and we went down and beat on them and argued with them and so forth—but the thread that runs through this testimony, as I say, I feel very strongly about this. This is the initiative—the initiative that was taken is the kind that Mr. Williamson and I and Mr. Stewart are talking about. It was a 3- or 4-year struggle to get this thing together and you have people who are very

liberal and conservative in their leanings—it was hard to get them to work together. I think the commuter transportation problem in Philadelphia has become outstanding because of this effort. But it took a lot of local initiative on the part of these different political subdivisions, and the ones with the most initiative worked with the ones with less initiative.

These local cooperation programs, good or bad, depend on the competency of the local politicians and the administrators. It is very—a very hard thing to answer, I will admit, but it can be done, and it can be done without any Federal intervention as it did in this case.

Mr. WILLIAMSON. I think, sir, throughout the years, there is a tendency on the part of Washington—and this is not criticism of this administration, the same thing happened during the Eisenhower administration—of trying to push this money out to the communities and not make the communities measure up to their own responsibilities. I think for many years the workable program was something that a mayor could dictate to his secretary some afternoon and send in. And I think that considerable apathy developed in the communities and the rush was on to get the money and they would come to Congress and cry about the redtape and Congressmen are always sympathetic to local officials who are not getting the money fast enough. I think that this is the source of considerable difficulty; I think we should have made it tough on the communities to qualify for these Federal grants-in-aid and should have made them adopt minimum housing codes, enforce the codes, and now we are waking up to the fact that these omissions on the part of local officials result in the program not meeting the goals that we talked about over the years.

Mr. MOORHEAD. If I understand the thrust of your testimony as far as answering this complaint about the local initiative gap, you recommend, not that we provide more in the way of the carrot, but a little more in the way of the stick, would that be correct?

Mr. WILLIAMSON. That is right.

Mr. MOORHEAD. Thank you very much.

Mr. BARRETT. The gentleman's time has expired.

Mr. St Germain?

Mr. ST GERMAIN. I certainly appreciate your testimony this morning. A good part of it is constructive. Yet, I am overwhelmed. I do not mean that in a derogatory manner, but I do not think that you gentlemen have grasped at all and come to the understanding that we on the committee have come to after almost 2 weeks of hearings, as to the technique that is to be used here, because you cite the facts, for instance, that a limit has been put on the amount of urban renewal for each of the next 4 years. Also, on public housing. True, that is a fact. But the 80 percent of the funds here are to be utilized for more programs that are not covered by Federal grants. So that the incentives here are not nearly—in my opinion it goes further than just all of a sudden push a great deal of Federal money into the local city treasury. It gives existing Federal programs—it exists for these programs but it gives the particular community—makes funds available to it, extra funds to work on programs that they probably would not be able to get to for many, many years. We complain a great deal about Uncle Sam trying to do so much for the local communities. Mr. Emlen states that he was on a board of commissioners. You were a member of local government. I do not know what the financial

status of your particular community is, but most of the communities today are in trouble. They cannot keep up with building of schools. They cannot keep up with many things. A highway depot—a facility needed to maintain the streets and what have you. We've got problems. Without Federal funds these communities would have deteriorated completely. So I do not think we should always be critical of this.

I appreciate the fact that much of your testimony is constructive. I am wondering if you did grasp the intent or the techniques that is intended.

Mr. WILLIAMSON. In our testimony we said, I think, that the problems are more fundamental. You touched on it. Local and State governments, many of them, are impoverished. They need money. This just nicks at the problem. There are many Members of Congress that are getting ready to address themselves to that problem of helping local and State governments. I think if it were not for the Vietnam war there would be considerable consideration given every one of the several plans knocking around on the Hill involving shared revenues. Things like that approach it fundamentally and that is the problem; this bill won't do it. It will do it to a very limited extent. But we certainly agree with you that many State and local governments are in a bad way, and maybe as they become urban oriented and urban dominated under the one-man, one-vote rule they might become more responsive to the needs of urban areas, and they might not, too.

Mr. ST GERMAIN. As far as incentive is concerned, how do you gentlemen feel we can provide that incentive? How do we give these people a vote in the communities? How do we inject them with the necessary incentive where it is nonexistent? Oftentimes I feel we find a group within the community who are just anti's. They do not have the courage because there is a low incentive to make that investment in order that in the years ahead we will see this community thrive and will survive. Do you have any suggestions on that?

Mr. EMLEN. I would like to comment, Mr. St Germain.

You have something else besides lack of initiative. You have in many cases sincere political philosophy that rejects some of these programs and approaches and I know specifically in my own township, after I was off the board of commissioners, there was a chance to avail ourselves of some Federal money in the improvement of local parks—a local park situation. The board unanimously rejected it and they said they did not want any Federal money and they would do it themselves, and they did.

Mr. ST GERMAIN. They did something about it, though. I am concerned about the communities where they reject the Federal funds and they do not do anything about it. They are the ones who are in trouble.

Mr. BARRETT. The time of the gentleman has expired. Mr. Reuss?

Mr. REUSS. I, too, want to commend you and your association for your stand on rent supplements and rent certificates. I think they are good programs and we need your support because it indicates just once again that your association is willing to evaluate matters as they unfold in the light of new facts.

I think you made a good point in your presentation when you point out, as you do on page 5, that you have one committee of the Congress, the Government Operations Committee, looking at the so-called

Muskie bill and then you have this committee looking at the proposition of relations of metropolitan governments. You say on page 5:

> We thus have the rather strange situation of two House committees simultaneously considering the same subject in two different bills.

I agree. I think it is almost anomalous. Since I am a member of the Government Operations Subcommittee, I have asked that committee to coordinate its work and send over that portion of the bill which has to do with that subject matter, so that the right hand will know what the left hand is doing.

I have just one question to ask you.

On the bottom of page 6 you quote from Secretary Weaver's book, "The Urban Complex." And you quote just one sentence:

> We seek to recapture control of the use of the land, most of which the Government has already given to the people.

Well, that makes kindly old Doc Weaver almost look like a Socialist. I wonder if you would mind reading the preceding sentence in that book, "The Urban Complex."

Mr. WILLIAMSON. I have the book and I will—I lent it to a member of this committee. I will put in the record—in my opinion it is not out of context, but we will put in the entire two or three pages.

Mr. REUSS. I have looked it up, and I think it is on page 6 of the book, is it not? The previous sentence says——

Mr. BARRETT. This may be inserted in the record without objection.

(The information referred to follows:)

EXCERPT FROM "THE URBAN COMPLEX—HUMAN VALUES IN URBAN LIFE" BY DR. ROBERT C. WEAVER (DOUBLEDAY)

> Originally this Nation was developed largely by offering people absolute control over wide areas to facilitate the rapid improvement of the land. Now we are trying to recover control of the way land is used so as to achieve a proper type of development of our urban areas and of our whole country. Our current objectives are to secure the open space needed both for urban and rural recreation, to protect wildlife, to promote conservation, to eliminate scatterization, and, of course, to provide sites for the shelter required by our population. Thus, we seek to recapture control of the use of the land, most of which the Government has already given to people.

Mr. REUSS. I will read the previous sentence:

> Our current objectives are to secure the open space needed both for urban and rural recreation, to protect wildlife, to promote conservation, to eliminate scatterization and, of course, to provide sites for the shelter requied by our population. Thus, we seek to recapture control of the use of land, most of which the Government has already given to the people.

You are not against protecting wildlife?

Mr. WILLIAMSON. No.

Mr. EMLEN. No.

Mr. WILLIAMSON. All right.

Mr. REUSS. You are not against open space?

Mr. WILLIAMSON. No, sir.

Mr. REUSS. How about conservation?

Mr. WILLIAMSON. We are all for it.

Mr. REUSS. You are not for scatterization?

Mr. WILLIAMSON. That's right.

Mr. REUSS. Actually when you read the whole quotation including the "Thus,", it does not make Doc Weaver out as so bad at all.

Mr. WILLIAMSON. I think we have to read more than what you read.

Mr. REUSS. You may put in the whole book. On the basis of those two sentences you and I are not going to condemn Doc Weaver as a Socialist?

Mr. WILLIAMSON. No.

Mr. REUSS. Thank you very much.

Mr. BARRETT. Thank you, Mr. Reuss.

Thank you, Mr. Emlen, Mr. Williamson, and Mr. Stewart. You have given a very fine presentation here this morning. All time has expired and our next witness will be Mr. James F. Steiner, construction industry manager, representing the U.S. Chamber of Commerce, accompanied by Mr. Harvey Hallenbeck, chamber staff senior associate, and Mr. Richard Breault, chamber staff senior associate.

Will you please come to the witness table?

It is certainly nice to have you here this morning and your associates. We wish to make you feel at home and as comfortable as we possibly can.

If you are going to read the statement, you may do so. We can ask you questions after you read the statement. It is one statement?

Mr. STEINER. Yes, Mr. Chairman.

STATEMENT OF JAMES F. STEINER, CONSTRUCTION INDUSTRY MANAGER, REPRESENTING THE U.S. CHAMBER OF COMMERCE; ACCOMPANIED BY HARVEY HALLENBECK, CHAMBER STAFF SENIOR ASSOCIATE; AND RICHARD BREAULT, CHAMBER STAFF SENIOR ASSOCIATE

Mr. STEINER. My name is James F. Steiner. I am construction manager of the Chamber of Commerce of the United States.

I am here to present the national chamber's recommendations on H.R. 12341—the proposed Demonstration Cities Act of 1966.

This bill proposes a city demonstration program for the coordinated use of all available Federal aids; prescribes the conditions under which Federal subsidies will be made available; specifies the authority of the Secretary of the Department of Housing and Urban Development under the proposed program; authorizes the creation of an Office of Federal Coordinator for each community having a demonstration program; permits the provision of technical assistance to communities; authorizes grants to cover the full cost of relocation payments to displaced individuals, families, business concerns, or nonprofit organizations; makes funds appropriated available until expended; provides that the Secretary consult with each Federal department and agency affected by each city demonstration program before entering into a commitment to make grants; and authorizes the appropriation of such funds as may be necessary to carry out the provisions of the act.

The national chamber recognizes that improving the quality of urban life is among the most critical of nationwide problems. We are working for, and we support action for, greatly increased local leadership in community development and for the continuing modernization of local and State governments. Following my specific comments on H.R. 12341, I should like to discuss actions which the national chamber is taking to speed community development progress.

The national chamber does not believe that H.R. 12341 would result in a valid demonstration of city problem solving because:

1. The bill is based on highly questionable assumptions.
2. The bill calls for heavy Federal controls on local actions, and includes provision for Federal designation of a local coordinator—a sort of commissar or czar who would possess vaguely defined powers.
3. The bill contained a blanket requirement for use of "all available Federal aids"—aids which, in the light of local circumstances, may or may not be appropriate or desirable or merit priority.
4. The bill is designed to treat symptoms, rather than causes of city problems.
5. The bill is overwhelmingly concerned with money, and fails to recognize the key factor of people, ideas, and leadership for city progress.
6. The bill, failing to provide city selection criteria which admit of direct and objective measurements, would permit selection by the administration of a small number of cities which would receive large amounts of funds at the expense of the overwhelming majority of the Nation's communities.

Let me detail these reasons for our disapproval of this bill.

QUESTIONABLE ASSUMPTIONS

This bill is based on highly questionable assumptions. First, the bill—page 2, beginning on line 7—states:

> The Congress further finds and declares that cities, both large and small, do not have adequate resources to deal effectively with the critical problems facing them * * *.

The problem is not that the resources to do the job are absent from the cities, but that these resources are not always mobilized effectively.

Certainly there are resources in the cities. Cities are the centers of the income and wealth which have brought the United States the highest standard of living in the world and made it the best housed of the nations. And, in fact, the subsidies envisioned in H.R. 12341 would be paid from taxes which come, in the main, from city areas.

But the roundabout route of funds—from city to Federal Government, and, after deduction of a Federal handling charge and imposition of Federal controls, back to the city—is not necessary. Instead, cities can, through effective organization and action, get far more direct access to the funds necessary for local progress.

Documentation of the fact that it is possible for cities to mobilize their own resources for local improvements is provided by the examples, from 66 different communities over a wide range of population sizes, in the national chamber publication, "Some Community Development Success Stories," which we have provided to members of this committee.

Second, the bill—page 2, lines 9 and following—state:

> * * * additional Federal assistance is essential to enable cities to plan, develop, and conduct programs to improve their physical environment, increase their supply of adequate housing for low- and moderate-income people, and provide educational and social services vital to health and welfare.

This statement on the essentiality of additional assistance is controverted by the many examples of cities which, on their own, and

through both private enterprise and public efforts, are planning, developing, and conducting programs to improve their physical environments, increase their supply of adequate housing, and provide educational and social services vital to health and welfare.

On this point, I would like to mention that I have provided the members of this committee with copies of the national chamber's report on the community development management seminar conducted in Washington, D.C., on June 9–11, 1965, which amplifies certain of the examples contained in the aforementioned "Success Stories" publication—telling both what was done and how it was accomplished.

FEDERAL CONTROLS AND A FEDERALLY DESIGNATED CZAR

The bill calls for heavy Federal controls on local actions, and includes provision for Federal designation of a local coordinator—a sort of commissar or czar who would possess vaguely defined powers.

At first glance, the bill seems to deal with matters designed and directed by local leaders. It says—page 3, section 4—that—

> A "comprehensive city demonstration program" is a locally prepared and scheduled program. * * *

But this can be quite misleading.

Actually, Federal controls spring up in the very next sentence—section 4(b)—which puts in the hands of the Secretary of Housing and Urban Development the powers to determine if the local program is big enough, if it is aimed toward the right kind of a well-balanced city, if it is doing the right thing on education and social services and employment and training opportunities, if it is cranking in enough local resources, if it is provided with the right kind of adminstrative machinery, if it is using a relocation plan consistent with the Secretary's regulations, if it is assuring "maximum" opportunity in housing choices, and if it is meeting such additional requirements as the Secretary may set up.

And then the bill—section 4(c)—calls on the Federal Secretary to make judgments on local laws and regulations, neighborhood design, technology, community relations and segregation, and comprehensive planning. Clearly, this is more Federal control over local affairs.

In section 5—page 6—there is a provision for the Federal Secretary to make determinations on the adequacy of local administration and on cooperation among local agencies.

And in section 7, there is indication of how the reins of Federal controls will be held. For this is the section which gives the Federal Secretary the power to designate, for each locality under the program, a director of an "Office of the Federal Coordinator."

And so the programs become, less and less, matters of local determination, and, more and more, federally controlled and directed.

Such a Federal director operating in a locality could become a virtual czar, for the extent of his powers is only vaguely hinted at in the bill provides—page 8, line 24 and following—that:

> The director shall perform such functions as the Secretary shall from time to time prescribe * * *.

BLANKET REQUIREMENTS FOR USE OF ALL AVAILABLE FEDERAL AIDS—WHICH MAY OR MAY NOT BE APPROPRIATE, DESIRABLE, OR MERIT PRIORITY

Cities are never identical. Instead, they are incredibly and wonderfully diverse. They differ in size and composition of population, in land area and topography and climate, in the composition and rate of activity of industry and commerce, in living patterns and expenditure habits of families, and, among other things, in the kinds and quantities of public facilities and services which the people want.

But H.R. 12341—failing to recognize both the existence and value of this diversity—specifies—page 3, lines 16 and 17—that the local programs shall rebuild and restore—

through the concentrated and coordinated use of all available Federal aids * * *.

This requirement completely overlooks the fact that Federal aids—and there are more than 100 of them according to the Department of Commerce—of certain types may not be desired by the people of a city, may not be appropriate for stimulating the most rapid community progress, or may relate to matters of such low priority that inclusion in a local program would only hinder efforts toward more important accomplishments.

This requirement, too, overlooks the fact that it might be foisting off, on the local communities, Federal programs which are duplicatory or overlapping, or which might be beset by inefficiencies, redtape, and recurring problems.

Before writing such a shotgun prescription, the Congress should make a careful examination and evaluation of all of the 100 or more components to make sure that these components (some of which have been on the Federal medicine shelf since as long ago as the great depression) are necessary and effective, to make sure that the mixtures will not prove harmful, and, in fact, to make sure that the mixtures will be actually salutary.

TREATS SYMPTOMS INSTEAD OF CAUSES OF PROBLEMS

Slums, blight, congestion, and other city problems are caused by forces which operate throughout urbanized and metropolitan areas. They are no more confined to certain neighborhoods than are the autos (which can produce traffic congestion) confined to downtown and prevented from coming from or going to the suburbs. Until causes are identified, traced, and treated on an areawide basis, they will continue to create increasingly heavy city problems.

But the bill does not deal with causes of problems.

Instead, H.R. 12341 deals with symptoms—as if putting ice on the head of a patient would get rid of the illness which caused the fever. The bill talks of "* * * rebuilding or restoring entire sections and neighborhoods * * *," of "* * * public facilities * * * commercial facilities * * * industrial or other centers * * *," of "* * * educational and social services * * *," and so on. But it does not direct any efforts toward pinpointing the causes of city problems or toward broad-scale, areawide action toward rooting out causes of problems.

OVERWHELMINGLY CONCERNED WITH MONEY—FAILS TO RECOGNIZE IMPORTANCE OF PEOPLE, IDEAS, AND LEADERSHIP

H.R. 12341 proposes a startling new idea: wholesale subsidies. In the past, a Federal subsidy has been used as a means of selling a local government on doing the bidding of the Federal Government. But H.R. 12341 compounds the process, and offers a subsidy as a means of selling a local government a wholesale package of other subsidies under which it would do many things at the bidding of the Federal Government.

For example, consider the position of a community currently eligible for Federal urban renewal subsidies in the amount of 75 percent project costs—with 25 percent of the costs to come from local sources. Under the provisions of H.R. 12341 it would cut its local share of these costs to 5 percent (under the bill it would get extra, compound subsidies to the extent of 80 percent of its 25 percent local share, leaving it to pay only 5 percent), if it takes the entire package of all available Federal aids—presumably winding up with an array which might include aids for commercial fishing, and for aerial photographs.

This compound, wholesale subsidy approach presumes that money is the only sine qua non—that the dollar can do anything and that a lot of dollars can do everything.

But experience teaches that people, ideas, and leadership are even more important. The public must understand, want, and willingly support efforts for improvement. Ideas are constantly needed on newer and better and more efficient ways to solve problems. Leaders are needed to weld the diverse elements of metropolitan areas into cohesive forces for betterment.

People, ideas, and leadership are the real keys to greater progress. But H.R. 12341 fails to recognize these essentials—and instead piles subsidies on top of subsidies to create a system of compound, wholesale subsidies. In practice, it would subsidize subsidies.

In essence, this demonstration would only prove—that would demonstrate that only an unfair share of subsidies would buy certain amount of action. But what would it demonstrate to the cities not selected as demonstration cities? Would it stimulate them or take a local action—would it stimulate them to take local action or would they only be motivated to wait for Federal subsidies?

NO OBJECTIVE CRITERIA FOR SELECTION OF DEMONSTRATION CITIES—MONEY TO THE FEW AT THE EXPENSE OF THE MANY

H.R. 12341 fails to provides city selection criteria which admit of direct and objective measurement. Instead, the bill delivers up to the administration the critical decision on who shall get and who shall not get.

Instead of providing a yardstick by which all communities may judge and be judged, objectively, the bill gives Secretary of Housing and Urban Development the power to decide:

What shall be of "sufficient magnitude,"
What is "a substantial increase,"
What is "marked progress,"
What is "will contribute to a well-balanced city,"

What is to be included in the "social services necessary,"
What are "maximum opportunities,"
What are "adequate local resources,"
Whether "machinery is available,"
What plans meet "the requirements of the regulations,"
What is "maximum opportunity in the choice of housing," and even "what additional requirements" might be needed.

Anybody, everybody, or nobody could qualify under such requirements—subject to the judgments of the Secretary.

Under these circumstances, it seems apparent that a relatively small group of cities is going to get a lot of Federal money, and that the people in the vast majority of the Nation's 18,000 municipalities (and in its 17,142 townships) will not only not get the money, but will be paying the taxes to provide the few with the money.

How much Federal money will this small group of cities get? While we have heard that the amount will be on the order of $2.3 billion, no limit (not even such a huge one) is contained in the bill. Instead, H.R. 12341 provides (in sec. 12 on p. 11):

> There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this act.

This vacant stare at costs, in a bill overwhelmingly concerned with putting money into a relatively small number of cities, seems to imply either that the work of determining the costs has not been done or that there is a reluctance to divulge and stand on such determinations.

If I may insert another sentence or two beyond that in the text. We would suggest that the Budget Bureau might be able to render such an estimate and that this would be of importance to the committee and to the public. Certainly it would be of great interest to the national chamber.

The national chamber believes that it is important that costs be determined and exposed to full public scrutiny in this important field of city improvement.

Because H.R. 12341 is based on questionable assumptions, extends Federal controls, requires use of all available Federal aids (without specific limitations regarding desirability, appropriateness, or priority), treats symptoms instead of causes of problems, dwells on money without recognition of the importance of people and ideas and leadership, provides no objective criteria for city selection, and would benefit the few at the expense of the many, the national chamber urges that the bill be rejected.

At the same time, however, the national chamber urges that alternative actions be taken to promote city progress.

NATIONAL CHAMBER ACTION FOR CITY PROGRESS

The national chamber works for the achievement of effective and lasting solutions to city problems. We recognize that some cities are achieving greater success than others in working out their problems. But we believe that insufficient attention has been given to many different efforts being made, and that there has been insufficient organized dissemination and interchange of ideas which could speed the progress of additional communities.

Consequently, the national chamber, first, is taking action to bring together, organize, publicize, and disseminate information on alter-

native successful approaches currently being used for solving city problems. Areas in which national chamber is working include steps to:

1. Conduct conferences for State, local government, and community leaders at which officials and experts present information and recommendations on ways to modernize local and State government actions for the more efficient solution of urban problems through the exercise of local and State government responsibility.
2. Gather information, from communities throughout the United States, on ways in which urban problems are being solved by the mobilization and utilization of local resources, and publish reports giving detailed information on how the problem-solving action was organized and brought to completion.
3. Provide consulting services to distribute know-how on community development to both private and governmental leaders.

Second, the national chamber recognizes the need for systematic and comprehensive work to blaze the trail to newer and more efficient methods for solving city problems and contributing to community progress.

On this, we believe that we are already taking the lead through the national chamber's task force on economic growth and opportunity.

TASK FORCE ON ECONOMIC GROWTH AND OPPORTUNITY

As I have indicated, the national chamber fully recognizes that improving the quality of urban life is among the most critical of nationwide problems. By opposing H.R. 12341 we in no way imply the contrary. But we believe that solutions to complex urban problems can be best found through carefully planned studies and projects involving local talents, resources and initiative rather than through crash projects predominantly directed by people sitting in Washington, D.C.

In accordance with this conviction, the national chamber has invited over 100 chief executives of major American corporations to make serious independent studies of two of this country's most important domestic socioeconomic problems: poverty and America's cities. This business study group is called the task force on economic growth and opportunity. The chairman is Erwin D. Canham, editor in chief of the Christian Science Monitor.

The task force has now served for over a year and a half. During this time it has devoted its entire efforts to the study of poverty, a problem that relates closely to cities. Over 35 leading experts have been commissioned to develop background papers on various aspects of this important problem. Ten panels involving over 100 authorities have met to advise the task force. Six field trips to representative parts of the country have been made to get firsthand information at the local level. The task force itself has researched the subject. Two reports on poverty have been issued to date; several others are in various stages of development.

The two reports address themselves to a host of issues, ranging from the definition and measurement of poverty to changes in the Social Security Act. The value of this study is indicated by comments received from private and public leaders who have read the first

reports—from Bill D. Moyers, special assistant to the President, who told the task force that the study was providing "many extremely useful insights into the problems of poverty," to Governor Hughes, of New Jersey, who told the task force that "an effort such as yours—a serious, independent and extended study of poverty—will be very significant in carrying out the war against poverty," to Daniel P. Moynihan, former Assistant Secretary for Policy Planning and Research, U.S. Department of Labor, and now a member of the faculty of Wesleyan University, who recently wrote in an academic journal that the first report "is perhaps the most competent commentary on the Government's antipoverty program yet to appear."

The national chamber's task force has now begun a similar study of America's cities. The study will look at the causes of urban problems in a methodical and scholarly approach. The economic potential of cities will be analyzed. Major problem areas, such as housing, transportation, environmental pollution, fiscal and governmental arrangements, will be studied.

A research advisory committee of 14 outstanding experts on urban issues has been formed to help the task force. These experts are:

William G. Coleman, executive director, Advisory Commission on Intergovernmental Relations; Thomas Coulter, chief executive officer, Chicago Association of Commerce and Industry; John W. Dyckman, chairman, Center for Planning and Development Research, University of California at Berkeley; C. Lowell Harriss, Department of Economics, Columbia University; Walter E. Hoadley, vice president and treasurer, Armstrong Cork Co.; Norton E. Long, Joint Center for Urban Studies, the Massachusetts Institute of Technology and Harvard University; W. Thatcher Longstreth, executive vice president, Greater Philadelphia Chamber of Commerce; Arthur J. Lumsden, executive vice president, Greater Hartford Chamber of Commerce; Jerome P. Pickard, research director, Urban Land Institute; John W. Riley, Jr., vice president, the Equitable Life Assurance Society of the United States; John T. Howard, head of the department, the Department of City and Regional Planning, the Massachusetts Institute of Technology; Saul B. Klaman, director of research, National Association of Mutual Savings Banks; Arthur M. Weimer, special assistant to the president, Indiana University; and Arch M. Woodruff, provost, University of Harvard.

Arrangements are being made with leading universities to gather information and to tap the country's best brainpower. The task force has begun to commission additional experts to develop background papers and to serve on advisory panels. Field trips are being planned. Further, the task force members themselves will bring to the study the rich background each has in economics and institutional organization; in the practical solution of problems.

As an introduction to the urban study, the task force recently held a symposium in which over 20 noted urban experts participated. The proceedings of that symposium will soon be published. Following this, the task force will issue reports dealing with various aspects of the urban scene. These reports will be released one at a time as soon as they are completed. As in the case of the poverty study, the reports will be made available to the President and his Cabinet, to the Members of Congress, to the Governors of the States, to leading colleges

and universities, to trade associations, private research organizations, and others.

By these studies the national chamber and the task force hope to contribute to a better understanding of major social and economic problems. In turn, we hope such better understanding can lead to more effective policies and programs—both private and public—for the alleviation of these problems; to rational and feasible programs developed outside the crisis-oriented atmosphere that so often leads to crash programs which later have to be restructured or eliminated after wasting people's money and, more important, delaying solutions while raising expectations.

Through its study of poverty, the national chamber and the task force hope to help improve current antipoverty programs, some of which now suffer the results of crash action.

Through its study of America's cities, the national chamber and the task force hope to help the Nation avoid the pitfalls of potential crash programs that could be superimposed on the galaxy of existing programs created under varying conditions of depression and prosperity, war and peace.

What we are trying to do is probably best conveyed by something that Wesley C. Mitchell, the great American economist, and founder of the National Bureau of Economic Research, once wrote:

> Our best hope for the future lies in the extension to social organization of the methods that we already employ in our most progressive fields of effort. In science and in industry, we do not wait for catastrophes to force new ways upon us * * * we rely, and with success, upon quantitative analysis to point the way; and we advance because we are constantly improving and applying such analysis.

To be sure, action is needed now to solve our urban problems. But that action must be guided by sound analysis of the problems to be solved. These problems are extremely complex. They penetrate into the very heart of political and fiscal organizations and arrangements. They reflect the technological and social "revolutions" we are experiencing. Much analysis of these problems is lacking. In its absence, there is little reason to believe that our urban problems can be solved simply by adding another massive overlay on existing Federal efforts that go back nearly 30 years but that have registered no major breakthrough in improving our urban environment.

Mr. BARRETT. Thank you, Mr. Steiner.

I have no questions to ask you, but I do want to make a statement.

I have been in this committee for quite some time. I have never yet witnessed any occasion, where the chamber of commerce, the U.S. Chamber of Commerce came in to testify in behalf of the bill relative to the needs of the people throughout the various cities. Yet I have observed occasionally where the chamber of commerce came in from the local areas, and I specifically name the one from Philadelphia and favored bills, and I would say to them, because of my association with them, the U.S. Chamber of Commerce is unalterably opposed to these bills and they would say the U.S. Chamber of Commerce is not speaking for us.

Mr. Steiner, I do not want my statements to reflect on you very fine three distinguished gentlemen. I just want to go on record as saying it is strange that the U.S. Chamber of Commerce cannot get interested in anything that might be in the best interests of those people who cannot help themselves. Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Mr. Steiner, your testimony considered it so basically and entirely on the bill H.R. 12341. It made no mention in the testimony of H.R. 12946. If it is convenient, could you provide your position on this bill for the record of these hearings? You do not have to answer it now. You can supply that information.

Mr. BARRETT. Without objection, so ordered.

(The information requested follows:)

SUPPLEMENTAL VIEWS OF JAMES F. STEINER, CONSTRUCTION INDUSTRY MANAGER, ON H.R. 12946

Title I of H.R. 12946 would provide (with respect to certain Federal subsidy programs) extra subsidies in the case of projects which are planned, programed, and coordinated on a metropolitanwide basis.

In metropolitan areas containing a number of municipal jurisdictions, the projects in one such jurisdiction can have effects, good or bad, in other jurisdictions. Coordinated project activities might produce greater total benefits for all affected jurisdictions than might uncoordinated activities—but, of course, not necessarily greater benefits for the jurisdiction in which a project might take place.

Differences of opinion arise, however, with regard to ways to achieve joint action.

The national chamber believes that the answer lies in the establishment of a true community of interest. That is, that, first, there must be created a broad public awareness that some types and sizes of projects in one municipality will have effects in others; that, second, there must be an appreciation of the extent to which each and all might benefit from mutual action; and that, third, this awareness and appreciation must be translated into effective public demand for coordination of specific activities.

The bill, H.R. 12946, uses a different approach: It is aimed at using the pressures of the purse to produce governmental coordination among the units of a metropolitan area. Specifically, it would do this by providing bigger subsidies to those who coordinate than to those who do not.

Without debating the merits of using such Federal subsidy pressures, we would point out that there is an important question which the bill leaves unanswered: Why give an extra subsidy to those who coordinate instead of making coordination a prerequisite for the granting of the basic subsidy?

That is; if coordination is of as great importance as stated in section 101, and if Federal subsidies are to be the device for pressuring such coordination, then why not make such coordination a requirement for local participation in all of the federally assisted activities listed in section 105 of the bill? Would this not produce more widespread coordination, and, in addition, be more economical than extra subsidies?

Title II of H.R. 12946 would set up a so-called new towns program—encouraging municipalities and other public corporations to get into the buying and selling of land for development.

This proposed program seems to imply that there is a dearth of major development beyond the edges of our cities. Nothing could be further from the truth. In addition to major suburban development, private enterprise is already creating new cities which are complete with industrial, shopping, and residential areas, as well as places for education and recreation. The new town of Reston, near Washington, D.C., is but one of many well-known examples.

The program proposed in title II simply does not seem to be needed. Worse, the Government land-buying feature might result in a bidding up of land prices, thereby slowing down new city development and putting up a high-price roadblock to people who otherwise might find a home and a place to work in a new town.

Title III of H.R. 12946 deals with the grant authorization for urban mass transportation.

When the urban mass transportation bill was before the Congress in 1964, the Chamber of Commerce of the United States opposed the bill because our policy is opposed to Federal aid to urban mass transit. The position of the chamber has not changed.

Title IV of H.R. 12946 would subsidize State or local governmental "information centers" demonstrating the assembly and dissemination of information on urban needs and on urban programs and activities, both public and private.

The basic question that must be resolved here is whether this proposal would produce a desirable, efficient, and economical interchange of information on the manifold public and private activities aimed at the solution of city problems. This is so because, under H.R. 12946, the information centers would be governmental operations while a tremendous volume of the actual urban work is private.

Important urban improvement programs and activities are conducted by many voluntary associations such as chambers of commerce, women's organizations, churches, service clubs, labor unions, social and fraternal organizations, ethnic groups, school associations, and neighborhood groups. For, as Alexis de Tocqueville said, "The Americans of all ages, all conditions, and all dispositions constantly form associations * * *. Wherever at the head of some new undertaking you see the Government of France or a man of rank in England, in the United States you will be sure to find an association."

Under these circumstances, one must carefully consider whether governmental information centers, with Government functionaries making the critical decisions on assembly and dissemination of information, might become the objects of charges of favoritism and partiality and be less than successful instruments for voicing information on the full range of urban activities.

Mr. FINO. Is it your feeling and the feeling of your organization that if this bill is enacted, that the Congress should spell out much more definitely what can and cannot be done under its provisions?

Mr. STEINER. Yes, Mr. Fino. It would seem to us, as we have indicated in our statement, that the bill lacks specificity in many of the points which would be of great interest, not only to the persons who might administer it, but the communities who would want to know what kind of arrangement they are getting if their community happens to be selected. We regret that provision has not yet been made for a congressional study of these more than 100 programs which would apparently qualify under the Federal aid programs to be coordinated at the local level. Short of congressional analysis of these many programs, certainly, it would be a contribution to draw the bill in more detail.

Mr. FINO. If the city demonstration program was reduced in size and drawn within the realm of possibility or within the realm of reason and local control, would you advocate its trial on an experimental basis? What is your view on that?

Mr. STEINER. I do not believe I understand your question, Mr. Fino.

Mr. FINO. Let me repeat the question.

If the city demonstration program was reduced in size and brought within the realm of possibility and local controls, would you advocate its trial on an experimental basis?

Mr. STEINER. We would like to see such a proposal presented so that it could be considered.

Certainly, a demonstration, a very limited demonstration might be useful. I would like to suggest that the proposal made here is vast in its concept in that it would involve the Federal coordination of many programs. We believe a first step to constitute leadership from the Federal level of government would be to have the ideas for problem solving specifically set forth for the consideration of local and State government leaders so they could proceed on their own initiative. As we understand the provisions of this bill, only a few cities would be involved. Therefore, if there are ideas which can be utilized by all cities, since most cities—something over 18,000 communities—would not be the ones selected, then there would be something in terms of

advice which could be forwarded to all local governments and local civic leaders so that they could get on with the job of solving urban problems.

Trimming this proposal back to just a few cities might be workable. But at this time there is no incentive provided in the bill to do anything except to proceed into a similar demonstration.

In other words, what the selected cities—we have heard numbers from 10 or 12, to 60 or 70—would demonstrate is that with about 93 or 95 percent subsidies they can get certain action.

What does this demonstrate to other cities? It only demonstrates that they could possibly get similar action with similar treatment. It is an incentive to stand in line for subsidies. This standing in line may take a long time. I would have to say for the national chamber we would want to consider such a proposal as a revised bill.

Mr. FINO. As I understand it, it is your feeling that if this bill is enacted, Congress should spell out as much as possible, more definitely what can and cannot be done under its provisions?

Mr. STEINER. Yes.

Mr. FINO. On the demonstration city program, because of its financial needs and concentration on the very limited number of cities, would it not seriously place in jeopardy new urban renewal operations outside the demonstration city program?

Mr. STEINER. I am sorry to ask you to repeat, sir.

Mr. FINO. On the demonstration city program, because of its financial needs and its concentration in a very limited number of cities, would it not seriously place in jeopardy new urban renewal operations outside the demonstration city program?

Mr. STEINER. It would seem so to me.

Mr. FINO. Just one more question. I have seen that the real estate board has changed its position on the rent subsidy. Has the chamber also changed its position on that?

Mr. STEINER. Our position was ennunciated——

Mr. FINO. On the rent supplement?

Mr. STEINER. We have not had a formal position on the rent supplements. This question was asked last year of Mr. Robert P. Gerholz who is now president of national chamber. As I recall, he indicated that rent supplements provision is a device which seems to him preferable to public housing as a course of action for helping low income persons. But we have not officially taken a position on rent supplements. This was an expresion of personal judgment.

Mr. FINO. That is what I was going to ask you. That was his own personal opinion and does not reflect the thinking and feelings of the organization?

Mr. STEINER. It was Mr. Gerholz's opinion.

Mr. BARRETT. Thank you. The time of the gentleman has expired. Mr. Reuss?

Mr. REUSS. Mr. Steiner, on two recent occasions I have had the opportunity to commend and congratulate the U.S. Chamber of Commerce for its factual and constructive testimony—on the Asian Development Bank hearing a few weeks ago, and earlier this week on the so-called Muskie bill before the House Committee on Government Operations. However, having heard the chamber's testimony here today, I am obliged to say that I find it unbelievably negative, back-

ward looking, and, in my judgment, unworthy of the U.S. Chamber of Commerce.

I find, for example, on pages 2 and 3 of your statement that you reject the contention that our American cities lack adequate resources to deal effectively with the critical problems facing them. On page 3 you say: "The roundabout route of funds from cities to Federal Government, and after deduction of a Federal handling charge and imposition of Federal controls, back to the city is not necessary. Instead, cities can, through effective organization and action, get far more direct access to the funds necessary for local progress."

That is your statement.

Frankly, sir, I find it incredible that the U.S. Chamber of Commerce does not recognize that our central cities are in desperate condition, they they have pressed the property tax to the limit, and that the help of the Federal Government is necessary to use its progressive system of taxation to bear some of the burden of helping our cities. I just cannot believe that what is common knowledge throughout the United States escapes the U.S. Chamber of Commerce.

On page 4, instead of addressing yourselves to the problems of Federal and local coordination, you dismiss the local coordinator as a commissar or czar, implying that those behind it are using some Russian sort of action.

You mention that the chairman of the U.S. Chamber of Commerce task force on the problem of cities is Mr. Erwin D. Canham, editor in chief of the Christian Science Monitor. Has Mr. Canham seen the testimony that you have presented here this morning, and does he approve it?

Mr. STEINER. No; he has not. I believe he is on a trip abroad. But I think he would agree that it is consistent with the policies of the national chamber in which he has been a participant.

Mr. Reuss, may I respond to your——

Mr. REUSS. Yes; but first, Mr. Chairman, I ask unanimous consent that space be reserved at this point in the record so that Mr. Canham can indicate whether he approves or repudiates the position in the U.S. Chamber of Commerce statement before the committee this morning.

Mr. BARRETT. Without objection so ordered.

(The information referred to follows:)

TASK FORCE ON ECONOMIC GROWTH AND OPPORTUNITY,
Washington, D.C., March 17, 1966.

HON. WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing, Committee on Banking and Currency,
House of Representatives,
Washington, D.C.

DEAR MR. BARRETT: This is in response to the request of your subcommittee that I provide my observations on testimony delivered on March 10, 1966, by the Chamber of Commerce of the United States on H.R. 12341.

The subcommittee presumably made this request because I am chairman of the Task Force on Economic Growth and Opportunity, a group of over 100 chief executives of major American corporations invited by the national chamber to conduct serious studies of major domestic social and economic problems. The national chamber's statement on H.R. 12341 described the task force and outlined the study of poverty, which the task force is now completing, and the study of cities, which the task force is now beginning.

While the national chamber's testimony on H.R. 12341 seems to me to be consistent with the relevant policies of the organization, it would be entirely inap-

propriate for me as chairman of the task force to comment on the national chamber's position. The Task Force on Economic Growth and Opportunity is an independent group making independent studies. I, for example, hold no official position in the national chamber. By "independent," I mean that the task force is not bound by current or past policies of the national chamber and, conversely, the national chamber is in no way committed to task force recommendations. By "independent," I emphatically mean that the task force is determined to make scholarly and objective studies. To comment at this time on H.R. 12341 and the national chamber's testimony when the task force's study of urban problems is just underway would prejudice the study.

Furthermore, the reason the task force is launching a serious study of America's cities is because we believe that public and private policies to solve urban problems are handicapped by insufficient understanding of the root causes of these problems and of the most effective means of solving them. For several decades we have been creating and applying a galaxy of programs at all levels of government to alleviate our urban problems. Despite this, some of these problems are getting worse rather than better. It is understandable, therefore, why some people and groups seriously question legislation which they believe would essentially provide only more of the same programs. On the other hand, in the absence of more knowledge about the complexities of our urban problems, it is understandable why some people and groups seem unable to prescribe anything different. Hopefully, the task force study can throw new light on our urban problems and help everyone interested in making our cities better places in which to live and work.

The Chamber of Commerce of the United States, by sponsoring the task force, demonstrates its keen interest in helping to solve human problems. Few if any business or labor organizations have ever sponsored in-depth studies of the kind the task force is doing. Few sponsoring organizations have given such study groups the kind of autonomy enjoyed by the task force. In our current study of poverty—which has been in process for over a year and a half and which is very much a study of human problems—we have obtained contributions from literally hundreds of people in practically every walk of life and of practically all persuasions. In addition to panel discussions and field trips, we have commissioned background papers from over 35 experts representing a host of views and opinions. These papers are being printed in our reports so that any reader can see for himself how the task force reaches its conclusions and how it agrees or disagrees with the authors. We plan to follow much the same approach in our study of cities, which, again, is very much a study of human problems.

And lest there be any question about the specificity and independence of task force recommendations, let me cite but 1 of the 45 recommendations contained in the 2 reports issued to date on poverty. In our second report, "Poverty: The Sick, Disabled, and Aged," the task force recommended that a significant way to help our oldest and poorest citizens is to bring under the social security retirement program all Americans 65 years of age and over who are not now eligible for benefits. Granted, this recommendation is not new. But for us on the task force it followed from an objective consideration of the facts compiled by outside experts and analyzed by us.

The task force is happy that the U.S. Congress recently passed legislation to cover all Americans over the age of 72 with a benefit of $35 per month for single persons and $52.50 for couples. Hopefully, the Congress will, in time, fully implement the task force's recommendation by lowering the eligibility age to 65 and providing a higher monthly benefit. Most satisfying to the task force was that the proponents of the legislation made considerable use of the task force report during Senate debate. We would like to believe that our recommendation had an influence on the success of the measure, despite opposition by the leadership of the majority party in the Senate.

The national chamber, through this task force, is making an important contribution to helping people. The national chamber has a long record of supporting efforts to help all Americans enjoy the rewards of this great land. Since its support of the original Smith-Hughes Act of 1917, the national chamber has approved legislation and programs necessary to stimulate the development of skills and human resources; necessary to help people become productive and earn good livings. The national chamber fully supported the so-called impacted areas education legislation following World War II when it was needed. The national chamber supported several parts of the National Defense Education Act. By supporting the recent income tax cut and a host of programs to promote eco-

nomic growth, the national chamber has contributed to efforts to help all Americans live better. And by critically evaluating social and economic legislation and pointing to weaknesses and dangers where they exist, the national chamber performs a significant service to the Nation. I point this out simply to correct a mistaken impression voiced by people who are not fully aware of the national chamber's past and present programs and positions and who judge the organization solely on the basis of its stand on a given issue or legislative proposal.

I sincerely hope you can make this letter a part of the record so that the important distinction in the relationship between myself and the Task Force on Economic Growth and Opportunity and the Chamber of Commerce of the United States will be clear to all who read the hearings.

Sincerely,

ERWIN D. CANHAM.

Mr. REUSS. Now, would you comment, sir?

Mr. STEINER. Mr. Reuss, you have indicated that you believe that the problems of cities have escaped the national chamber. We do not believe that this is true. We have been students of the problems of cities for a very long time.

Mr. REUSS. I was simply referring to your testimony here this morning, the portion that I read, which takes the position that the cities have adequate tax resources within their borders, and the Federal Government has no helpful role to play.

Mr. STEINER. There are two important points which might be made in this regard.

First is the question of where the Federal Government gets the money to supply the subsidies that are proposed. Our conclusions are that, as we have indicated, the Federal Government gets the money from the same sources that the local governments get the money, that is, from the people.

Mr. REUSS. If I may interrupt you there, that is why I cannot really believe that you speak for the U.S. Chamber. Surely, the U.S. Chamber knows that the reason the Federal Government is needed in the picture is that wealthy people—like U.S. Chamber of Commerce members—live in the suburbs, and do not contribute to the well-being of the central cities, and that is why the Federal Government, with its progressive system of taxation, has a necessary role to play. I just cannot believe that you have gone that far back—to President McKinley.

Mr. STEINER. I wish to respond to the assumptions you have made, Mr. Reuss.

If you will see on the first page of our testimony, the statement indicates the number of businesses underlined that are represented by the national chamber. There are 3,900 business organizations with an underlying membership of 4,300,000 businessmen in 50 States. I do not think the record will show that there are this many wealthy businessmen living in suburbs. The national chamber is generally representative of the whole business community, and this includes many small businesses as well as larger businesses.

Mr. REUSS. My point, sir, is that I do not believe that the large number of those wealthy businessmen living in suburbs who are members of the U.S. Chamber of Commerce agree with your statement here this morning. That is why I want Mr. Canham to get on the record here.

Let me ask you this. Your title is "construction industry manager of the U.S. Chamber of Commerce"?

Mr. STEINER. Yes.

Mr. REUSS. The construction industry is the industry that puts up homes and builds buildings and factories?

Mr. STEINER. Yes.

Mr. REUSS. You are designated to testify on the whole problem of cities?

Mr. STEINER. Yes; I am. I have also been responsible for the activity of the national chamber which has produced the seminars and the literature which shows local leaders how to solve urban problems through the use of local resources. If you will take an objective look at the examples in this publication called the "Some Community Development Success Stories," you will see that there is a very wide range of successful action accomplished solely by local initiative by the use of local resources, and without Federal subsidies.

Mr. REUSS. I would be the first to agree on local initiative, but you have uttered one of the most colossal non sequiturs of the 20th century just now when you deduce from the fact that some cities are able to solve some problems locally, that therefore no city deserves any Federal help in solving any of its other problems.

Mr. STEINER. This goes back to the second point that I wanted to make, on your reference to page 3, paragraph 2. This bill makes no provision for the reorganization, or the study of the reorganization of the distribution of taxes. One of the criticisms we hear most often, one of the statements we hear most often, from local leaders is that the level of taxation at the Federal level is so high that it creates a disincentive for additional taxation at the State and local levels. Yet the bill makes no arrangements for restudying the maldistribution of taxes. If it did, then some consideration could be given to utilizing the Federal taxing mechanism to collect taxes and redistribute them among the communities. What this bill would do is to greatly increase the subsidies that go to a very few cities. The demonstrations would run for a period of 6 years. What will it demonstrate to other cities? It will demonstrate that after 6 years it may be possible to coordinate 100 Federal subsidy programs. And if it succeeds in that demonstration, after 6 years there should be 18,000 additional cities which should be accorded equal treatment. I do not think this program, on the basis of the information in the bill, will succeed.

Mr. BARRETT. The time of the gentleman has expired.

Mr. Harvey?

Mr. HARVEY. I find myself not in complete agreement by any means with the statement that you submitted here this morning. Nevertheless, I have the feeling that the U.S. Chamber did not submit the statement in order to be agreeable with the members of this committee.

Mr. STEINER. That is correct.

Mr. HARVEY. However, you submitted it as a thoughtful analysis of what you consider, or what you consider to be a factual analysis of the problems we are considering. I would say to you that the U.S. Chamber, I think, as the other organizations who have come before us with their testimony, should be commended in this regard. I may not happen to agree with you, but I do not think that your organization became the representative of the business community in this great country of the United States of America by coming before Congress and saying, "Yes," on all occasions. I think we need organizations who will come before Congress and say, "No" and present the alternatives,

even though we do not happen to agree with them, even though we think you may be 100 percent wrong.

I think it is healthy when you do come before the committee and do present your different philosophies. So I will certainly commend you for it.

On the other hand, I say to you, as one person who personally had to struggle on the local level as a mayor of a fairly substantial city in Michigan with some of the problems here, I do not think your solutions would work. I am one who is convinced today that the Federal Government does have a role in these problems. However, I have admiration for your courage and admiration for the manner in which you presented your statement.

Mr. STEINER. Thank you.

Mr. BARRETT. All time has expired. Thank you very much for you gentlemen coming here this morning and making your statement.

Mr. STEINER. Thank you.

Mr. BARRETT. Our next witness will be our distinguished colleague from the great State of California and a member of the Committee on Banking and Currency, Congressman Burt Talcott. Come right up and we will hear your statement.

STATEMENT OF HON. BURT L. TALCOTT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TALCOTT. Mr. Chairman, members of the committee, I am grateful for the opportunity to present this statement to the Housing Subcommittee. I have introduced H.R. 7434, a rather special, but important, bill to provide that a majority of the community approve an urban renewal project before it is begun.

There are many compelling, general, and special reasons for such an amendment to the Housing Act of 1949. I intend to present only a few today.

I am not opposed to the principle of urban renewal. We need to renew our dilapidated urban areas—this is a constant task which should concern and involve every citizen and segment of the community. Blighted areas should be eradicated. Deterioration should be stemmed. One section of our environment cannot be permitted to unnecessarily spoil another. But we must also preserve functional and pleasant residential, business, and industrial areas.

These goals cannot be accomplished without cooperation and some coordination. Urban renewal can provide a vehicle otherwise unavailable—especially when the various private property owners in a substandard section cannot, or will not, get together—in a common effort for the public necessity.

But the urban renewal project must fit and suit the community. Bureaucrats in Washington, far removed from the persons involved, unknowledgeable about the local habits, attitudes, and wishes should not be making the basic decisions.

Individual persons are the most important ingredient of a community. Urban renewal must deal primarily with people—not just with slums, buildings, and property.

Urban renewal must be personal, compassionate—but unfortunately, it has not always been.

Urban renewal should serve the needs of the whole community, but unfortunately, it has not always done so.

Advocates of Federal urban renewal have too often flooded the news media with good intentions and platitudes.

Urban renewal now exists upon large amounts of public moneys and Government power, but too little public or individual support.

Urban renewal is expensive.

Urban renewal is not a free Federal bonanza. We pay dearly for it through Federal taxes. The local community pays heavily also. Urban renewal projects are not done cheaply. Enormous profits have been made in urban renewal, but not for the community and the taxpayer who care about the expense.

The typical urban renewal project destroys a great many homes—at least 126,000 between 1950 and 1960. Twenty-five thousand of these were in good condition. In the 1950 decade, no more than 30,000 units were constructed in urban renewal project areas. One hundred and twenty-six thousand down; thirty thousand up. Unfortunately, for the dislocated families who must find a place to live the 30,000 put up were out of the reach of their pocketbooks. The community cares about this.

Families displaced from an urban renewal area find it practically impossible to move back into the area. Rents in the renewed area go up, but the tenant's wherewithal does not. Many of the displaced families move to less favorable homes—less space, worse conditions, but they pay higher rents, for less desirable locations. Thus, the net effect of urban renewal in the field of housing has not been helpful. The community cares about its displaced persons.

At least 1 million persons have been evicted. The manner of the eviction is not always pleasant or decent. You should know about the infamous *Patania* case in my district. The urban renewal project is 6 years old. Mr. Patania is 72. He and his wife lived in their modest home for 42 years. It was in good condition, but in an area designated for commercial urban renewal. They were offered the fair market value of their home—$12,500, I think—not nearly adequate to replace their home today. They declined. They were ordered evicted. They refused to leave. The sheriff was ordered to evict them. Mrs. Patania was forcibly subdued, placed in a straitjacket, and removed via stretcher—under the gaze of nationwide television and other reporters. Mr. Patania was forcibly removed also. Then, to add to their ignominy, both were jailed until their home was bulldozed to the ground to prevent their reentry. They have also been sued for contempt of court and damages for the costs of the evictions and the special, premature demolition of their home. Urban renewal had little compassion for this old couple who could not speak English and who only wanted to keep their most valuable and precious possession (next to life itself)—their home of 42 years. Urban renewal did not have compassion. Urban renewal could not devise a better way to relocate the Patanias. Urban renewal didn't care about people; it cared only about clearing property.

Now the community should and does care about evicted people and how it is done and where they relocate. Relocation is not just a worry for the evicted family, but a concern and burden of the community which cannot be discharged simply by paying money. The community cares.

In every urban renewal project which forces people from their homes, the evicted persons suffer severe anguish. Sentimental attachments to homes, areas, and neighbors developed through years of association are not severed by pronouncement from an urban renewal agency. The public good must truly be great to justify such inhuman cruelty to fellow man.

In their exuberance to create something better, have developers and agency personnel neglected to consider some basic rights which were at one time considered fundamental to our society?

Justice C. J. Bell, of the Pennsylvania Superior Court, in his concurring opinion in the decision remanding the case of *Tony Foranda* v. *The Redevelopment Authority of Lancaster, Pennsylvania*, to the court of common pleas has very poignantly set forth the issues.

The opinion is so timely, having been filed on January 17 of this year, and so telling, that I must read it in its entirety at this point.

I concur in the remand, but deem it desirable to express the reasons for my views.

It is important to recognize at the very outset that the urban redevelopment law[1] and the enormous powers ostensibly granted therein must be carefully examined in the light of the Constitution of the United States and of Pennsylvania which ordain and guarantee the right of private property. Article I, section 1, of the Pennsylvania constitution provides: "All men are born equally free and independent, and have certain inherent and indefeasible rights, among which are those of enjoying and defending life and liberty, *of acquiring, possessing, and protecting property*,[2] and reputation, and of pursuing their own happiness."

Nevertheless the authority contends that the act gives the sovereign power of eminent domain to these few appointed persons to condemn not only every property which they believe is dilapidated, but *also every area* or region which they believe contains *some* dilapidated properties. For these reasons as well as several others which will be discussed, the act and its claimed wide powers must be strictly construed.

One of the most highly prized constitutional rights of every American citizen is the right to own and possess his own home. It may be large, medium, or small, it may be one or two or three stories, it may be a ranch house or a row house, or a hut; or, in the eyes of some, it may be attractive or ugly, but it is yours and if you like it or love it, why should anyone or any political body have a right to take it from you in order to make it or *the area* in which it is situate *more economically prosperous?*

Stripped of its attractive tinsel and pretty trappings, this blighted area act, supra, as frequently interpreted by some nonelected nonsovereign redevelopment authorities, is one of the most unjust and unwise acts ever passed. This act does not cover or even pertain to the elimination of slums as in the Slum Clearance Act, i.e., housing authorities law of 1937.[3] The act is so broad that it does not limit the authority's power to condemn and take such properties as are dilapidated, but, we repeat, permits the taking of a large area in which only a few properties are dilapidated. Moreover, realistically speaking, it has nothing to do with the public safety, or health, or morals.

Its real and practical purpose and intent, although cloaked in the spurious guise of public welfare, is to make any and every community it chooses to denominate "dilapidated" *more economically prosperous* no matter what heartbreaks it brings to homeowners or losses to businessmen. For example, a husband and wife, or a widow, may love their home and like their neighborhood, but now because of the theories of well-meaning or stargazing planners, they have to move to a distant place and start life all over again among strangers. And what happens to a little neighborhood businessman who loses his home and his business and his customers? What will recompense a liquor licensee (whose business is subject to a quota system) when he cannot get a license in the new location to which, because of the redevelopment authority, he is compelled to

[1] Act of May 24, 1945, Public Law 991, 35 P.S., sec. 1701 et seq.
[2] Italic throughout, ours.
[3] Act of May 28, 1937, Public Law 955, 35 P.S., sec. 1541.

move? And what about churches? Even churches and other houses of worship are not exempt from the ceaseless craving of many for material prosperity and for constantly expanding political power. Too often, the planners consider themselves "Solomons," with unbounded, unfettered and limitless discretionary power to appropriate and condemn as dilapidated (1) any and every property they believe is dilapidated, and (2) *as large an area* as they believe can be made economically more prosperous. In their desire for greater economic prosperity, these planners do not hesitate to tear down and destroy churches *in any area which they may deem "blighted."* See, for example, *St. Peter's Roman Catholic Church* v. *Urban Redevelopment Authority*, 394 Pa. 194, 146 A. 2d 724. In the case, the Urban Redevelopment Authority condemned and destroyed, in the name of "economic convenience and progress," St. Peter's Church in Pittsburgh, which was considered by many to be the most beautiful Catholic Church in America.

As this court aptly said in *Schwartz* v. *Urban Redevelopment Authority*, 411 Pa. 530, 192 A. 2d 371 (p. 536):

"This court has held that the mushrooming of authorities at all levels of government and the frequent complaints that the agencies arbitrarily or capriciously and unintentionally ignore or violate rights which are ordained or guaranteed by the Federal and State constitutions and established law, make it imperative that a checkrein be kept upon them. *Keystone Raceway Corp.* v. *State Harness Racing Commission*, 405 Pa. 1, 173 A. 2d 97 (1961)."

There are some of the reasons why *this "blighted area" act and the powers granted therein must*, in the light of the constitutional guarantee of private property and the American heritage of individual freedom, *be searchingly scrutinized and strictly construed.* This the lower court failed to do.

I concur in the remand.

What single step can we take to promote the socially desirable goals of urban renewal which genuinely renews decayed and decaying sections of cities but eliminates the heart-rending eviction of thousands from their homes or businesses which can be better rehabilitated through other means?

I recommend the incorporation of a community referendum in the project approval process.

The people in the community are intelligent enough, concerned enough, and wise enough to make the decisons which are best for them and their communities.

The whole community should understand, approve, and support worthy urban renewal projects—but this, unfortunately, has not always been so.

It is not inconsistent with democracy, representative government, or citizen participation to require proposed urban renewal projects to be approved by majority referendum.

A referendum would serve three essential purposes almost entirely lacking now: (1) marshal public support, (2) encourage community involvement in public affairs, and (3) put urban renewal proponents on their mettle, requiring them to develop and sell a project which has merit and will serve the total public interest, rather than benefit a small coterie of speculators at public expense, and the diminution of the rights of individual persons and businesses.

If a renewal project is not well enough planned or explained to satisfy a majority of the community which will be expected to pay a heavy portion of the enormous costs and to share a portion of the burdens (as well as enjoy the benefits), then there is no justification for it in our present-day community.

If a slum area needs to be renewed, and there are two competing proposals, the community should have a direct voice in the choice.

Elections are a small cost to insure free public knowledge and support. The many economic and social manifestations of any renewal project affects the whole community. The whole community should be intimately involved to insure success. A referendum is the best method for obtaining support and insuring this success.

Referendums have been held in a number of communities on some phases of urban renewal projects—bond issue, establishment of a local renewal authority, or project approval—over the past few years. Approvals and rejections are almost equally divided. I submit the following chart documenting recent referendums:

60-878—66—pt. 2——4

Referendums on urban renewal issues

City	For	Against	Date	Subject
Philadelphia, Pa.	195,620	73,038	Nov. 2, 1965	Bond issues.
Smithville, Mo.	322	227		
Liberty, Mo.	366	291	Oct. 5, 1965	Authority.
Lawson, Mo.	154	109	Sept. 7, 1965	Do.
Excelsior Springs, Mo.	300	130		Do.
Louisville, Ky.	70,712	7,819	Nov. 2, 1965	Bond issue.
Dedham, Mass.	141	60	May 17, 1965	Project.
Do.	1,711	1,330	June 12, 1965	Do.
Adams, Mass.	135	1	Sept. 27, 1965	Do.
St. Petersberg, Fla.	12,232	35,150	Oct. 5, 1965	Authority.
San Diego, Calif.	37.4%	62.6%	Sept. 21, 1965	Do.
Hawthorne, Calif.	2,164	3,138	June 15, 1965	Do.
Santa Rosa, Calif.	90%	10%	Oct. 5, 1965	Bond issue.
Berkeley Heights, N.J.	1 to 5 against			Project.
Columbus, Ohio	26,000	54,000	Nov. 2, 1965	Bond issue.
Fridley, Minn.	1 to 3 against		Nov. 2, 1965	Project.
Little Rock, Ark.	4 to 1 for		Nov. 2, 1965	Bond issue.
Omaha, Nebr.	31,121	64,319	May 11, 1965	Authority.
Alton, Ill.	4,609	7,104	Apr. 6, 1965	Do.
Fairfield, Conn.	3,931	8,088	Feb. 16, 1965	Bond issue.
Franklin, Mass.	546	595	Mar. 11, 1965	Project.
Miami, Fla.	50,277	48,922	Jan. 28, 1964	Referendum.
Los Angeles, Calif.	6 to 0 against		Jan. 21, 1964	Authority.
Marysville, Calif.	946	1,061		
San Antonio, Tex.	Overwhelming approval			
Kansas City, Mo.	64.7% approval (not enough)			Elderly.
St. Ignatius, Mont.	87	52	March 1964	Authority.
Artesia, Calif.	349	1,440		
Roanoke, Va.	13,712	564	Mar. 24, 1964	Bond issue.
Madison, Wis.	18,121	18,488	April 1964	Authority.
Waukegan, Ill.	4,099	9,400		
Alameda, Calif.	2,962	8,171	June 30, 1964	Referendum.
Do.	2,969	8,251		Project.
Bangor, Maine	4,044	3,568	June 1964	Do.
Benton Harbor, Mich.	⅔			Technical raising of funds through mileage assessment.
Bethlehem, Pa.	5 to 7 against			Bond issue.
Denver, Colo.	29,344	34,300	June 30, 1964	Do.
Gainesville, Ga.	2 to 1 for			Do.
Manchester, Conn.	3,000	1,219		Do.
Newport, Ky.	3,874	1,240		Do.
South Milwaukee, Wis.	2,300	5,300		Authority.
Kansas City, Kans.	[1]	[1]		
New York State	1,414,174	2,018,579		Proposed changes in urban renewal and housing article of constitution.
Monroe, Mich.	709	3,780		Program.
Hazard, Ky.	1,264	659		Project.
Baltimore, Md.	83,131	70,983		Bond issue.
Baltimore County, Md.	58,988	93,466		Do.
Cleveland, Ohio	62.6% approval			Do.
Orlando, Fla.	8,027	15,911		Authority.
Rutland, Vt.	3,927	4,764		Project.
Do.	2,523	4,706		Bond issue.
Lexington, Ky.	4,341	10,749		Project.
Columbus, Ohio	52% approval; needed 55%			Bond issue.
Wilmington, Del.	[2]	[2]		
Philadelphia, Pa.	3 to 2 margin for			Do.
Sapulpa, Okla.	2 to 1 rejection			
Santa Monica, Calif.	[3]	[3]		
Livonia, Ga.	250	75	Apr. 14, 1963	Authority.
Hoquiam, Wash.	Approved bond issue			

[1] Bond issue got majority but not required 65 percent.
[2] Voters transferred by 8 to 1 margin responsibility for urban renewal program from housing authority to mayor.
[3] Approved program of storm drain centers as support noncash grant in aid for urban renewal program

Mr. Chairman, support for my bill has come from many quarters. The amazing thing is that, while I have not publicized the proposal or solicited support, letters and petitions of support have come to me in unusual quantities. Approximately 300 persons have signed petitions favoring my bill, H.R. 7434. The petitioners come from Chicago,

Ill.; Kalamazoo and Battle Creek, Mich.; Minneapolis and Duluth, Minn.; Lafayette, Ind.; Bloomington and Fort Wayne, Ind.

To complete the record, Mr. Chairman, I submit the text of a letter from Mr. Charles H. Goddard, Bloomington, Ind.:

MARCH 4, 1966.

DEAR MR. TALCOTT: Indiana's experience with urban renewal and redevelopment as it is called in Indiana, shows the need for those who are affected by urban renewal to have an opportunity to express themselves by referendum. Too often the municipal officials have seen urban renewal as an opportunity to get some money, and to clear away homes for some project which they think might benefit the city, without consideration for the people involved. This is not a matter of slum clearance because "blighted" areas are not supposed to be slums, although some slums are certainly blighted.

Indiana has the Redevelopment of Cities and Towns Act of 1953, with amendments, which describes and defines what a "blighted" area is. Because of these blighted conditions, as so described, an agency or commission may be set up, a declaratory statement made, and the powers of eminent domain exercised. The statute makes it clear that these powers are granted because of the existence of blight blighted areas, the use of which causes an increase in crime and disease, constitutes a menace to the health, safety, morals, and welfare, and which conditions necessitate excessive expenditures of public funds for crime prevention and punishment, public health, and safety. Unless these conditions exist there is no jurisdiction so to act. Nevertheless, many of the municipalities have undertaken to form the public agency required under the Federal act, to receive funds, without any effort to establish that these blighted conditions exist, and in most instances they do not exist to a large extent in said area. Consequently, the acts of the cities are illegal, and is subject to injunction since these acts are without jurisdiction.

Although the Federal law provides for some community approval and participation, those who are affected by these projects have no opportunity to express themselves in an effective way. The public hearing provided under the State law, has no definitive effect upon the actions of the commission and in most instances is ignored. They brush aside the protests of the homeowners, and call the bulldozer.

In Bloomington, there was no effort to obtain the sentiments of the people in the area, nor was there any attempt to establish that the area was blighted according to the act. The testimony at the public hearing showed only talk among officials but no securing of evidence to prove that it was blighted.

In Jeffersonville, the disregard of the people's rights was even more extreme. They sent inexperienced housewives around to make a so-called survey. None of the indicia of blight were present. No attempts were made to show it was blighted. New homes and developments had been built in the midst of the so-called blighted area.

Now a second effort is being made to tear down most of Jeffersonville in the same indifferent and callous disregard for the rights of the homeowners. Similarly no consideration is being given to the concern of the people most seriously affected.

In Batesville, Ind., we have an even more outrageous and high-handed disregard for peoples property. The powers that be in Batesville decided that Batesville had not grown as fast as the rest of the State so they plan to condemn two of the best business district blocks, which show no evidence of blight, tear the buildings down and invite a supermarket to come in and build, hoping it will bring in new business. The businesses which are being torn down, in many cases will not be able to reestablish themselves in a new area, because of the inadequate prices given for the buildings and the cost of new buildings.

Of course, one of the most outrageous features of these programs is that in most cases the people are not given prices which will enable them to buy homes of comparable character elsewhere, and many of them being older persons, cannot readily obtain loans for purchase. Consequently, many of the homeowners are forced to move into inadequate homes, or to live in hole-in-the-wall places. Of course, many of these people who have lived in blighted homes, when moved into new homes, will carry the blight with them. Eradication of blight is not accomplished by moving the blighted into new homes, any more than we change people's character or habits by buying them new clothes. We only change people by changing them inside, by giving them new ideals, by giving them a belief

in themselves as children of God, and so that they have a responsibility to and a need for God. All people need a belief in the loving God, and none more than the unfortunate.

In some communities such a La Porte and Logansport, urban renewal has been defeated when the voters have put pressures on the city council. However, since in some municipalities the city leaders are not as responsive to the wishes of the people, a referendum is necessary to make clear whether the people approve and authorize such activities.

We have additional evidence to support your bill if you desire it.

Sincerely,

CLAUDE H. GODDARD.

Mr. Chairman, the evidence proves the need for improved urban renewal procedures. The whole urban renewal program will be immeasurably strengthened by passage of my bill, H.R. 7434, providing for a public referendum for urban renewal projects. I urge the support of your subcommittee. Thank you.

Mr. BARRETT. Thank you, Mr. Talcott.

The next witness will be Mr. Ed Butler, chairman of the Lenders Committee, National Home Improvement Council; accompanied by Thomas C. Brickle, legislative representative, National Lumber & Building Material Dealers Association.

Please come forward, please. Please feel at home here. We are hoping that we can move quickly this morning and give you a chance to read your statement through and then the members may want to question you.

STATEMENT OF E. T. BUTLER, VICE PRESIDENT OF INVESTORS SYNDICATE CREDIT CORP., MINNEAPOLIS, MINN., ON BEHALF OF THE NATIONAL HOME IMPROVEMENT COUNCIL LENDERS COMMITTEE; ACCOMPANIED BY THOMAS C. BRICKLE, LEGISLATIVE REPRESENTATIVE, NATIONAL LUMBER & BUILDING MATERIAL DEALERS ASSOCIATION

Mr. BUTLER. Mr. Chairman and members of the committee, I am E. T. Butler, vice president of Investors Syndicate Credit Corp., Minneapolis, Minn., and I am speaking for the Lenders Committee of the National Home Improvement Council, of which I am chairman.

Why public interest will be served by amending title I of FHA program: Banks, savings and loan associations, and other financial institutions have made more than 28 million home improvement loans under the FHA program. Thirty years of experience leaves undebatable the positive benefit to the social and economic welfare of our country of this particular Government-sponsored program. For those 30 years title I has been the standard against which all other home improvement financing plans have been measured. Title I, however, has failed to keep pace with changing economic conditions. The cost to the borrower is the same as that set by law in 1934, and during this interim the cost of living and the cost of doing business has increased manifold. For 10 years there have been no changes in title I in the maximum amount of loan available or the maximum term of the loan and the rapidly declining use of title I is shown in the following table:

Installment credit extended in repair and modernization loans

Year:	*Percent of loans insured by FHA*
1957	52
1958	46
1959	45
1960	44
1961	41
1962	41
1963	37
1964	30
1965	29

The Lenders Committee of the National Home Improvement Council is convinced that unless changes in title I are effected, then the demise of title I is inevitable. Already its effectiveness has diminished to the detriment of the consuming public as indicated in the above table.

The Lenders Committee recommends and urges adoption of the administration-supported amendment, H.R. 13064. We urge adoption of that part of H.R. 13064 which has to do with federally insured property improvement loans, and further recommend that title I be put on a sound competitive basis by increasing the maximum amount from $3,500 to $5,000 and extending the maximum term from 60 months to 84 months.

During the last year the Federal Home Loan Bank Board saw fit to authorize Federal savings and loan associations to increase their limit on home improvement loans to $5,000 and 8 years' maturity.

This step by the Federal Home Loan Bank Board is in recognition of the fact that the cost of home improvements has steadily risen during the past decade. Today the consumer needs loans for amounts greater than the statutory limit of $3,500, and the consumer also needs a greater period of time to repay these loans than the statutory limit of 60 months; thus a steadily growing number of consumers are learning that their needs cannot be met under the title I home improvement program.

The FHA, an unusually knowledgeable, and insofar as title I is concerned, a supporting agency, is undoubtedly aware of what is going on in the money market today. The consumer is the one who suffers at any diminution of title I. Because title I has not been updated to meet economic changes, the dealers and contractors, who control the financing of the majority of home improvement transactions, have turned to sources other than title I. These sources meet the requirement for larger amounts and longer terms; however, the cost to the consumer is immeasurably greater, and what is more important these conventional plans do not have the protective devices afforded the consumer by title I. In many of them—

The consumer is the victim of shady, deceptive, and costly practices.

He may be led into refinancing the mortgage on his home with the inclusion of auto loans, doctor and hospital bills, and all manner of obligations which he would be well advised to retire more promptly.

Much too frequently he is the victim of excessive finance charges which often skyrocket to as high as 20 percent, kickbacks to dealers, payment of points for refinancing, brokerage fees, and other hidden costs.

Generally overlooked is this significant fact, that not only is the homeowner suffering because of these unconscionable charges, but if these additional costs could be channeled into legitimate production there would be much additional business for suppliers, more honest profits for dealers, and more work for artisans. Our present-day economy cannot long withstand the drain which appeases these demands in the consumer credit field. A revitalized title I program is a good solution.

Under some conventional sources of home improvement financing the homeowner is often the victim of improper selling practices such as—

Sales inducements, wherein the consumer is promised his improved home will be used as a model for advertising or other purposes.

Debt consolidation: inflating the cost of the improvement so that a loan may be obtained which covers the actual job and other debts as well.

Promises of rebates, bonuses, commissions, et cetera, that are dangled before the consumer as an inducement to improve his home.

False guarantees and misrepresentations of products.

Representation that the purchase is on a trial basis.

Under a revitalized title I program the consumer would be given protection against such improper selling practices. Information from better business bureaus clearly indicates that complaints are minimal under title I, but have increased immeasurably since there has been a lessening of the use of title I and a greater use of some of the conventional forms of financing. This means that where the protective devices of title I are not required, and the financing is done under some of the conventional plans the consuming public is the loser.

The recent interest in consumer protection legislation introduced by many of the individual State legislatures is clearly indicative of this trend.

Title I regulations have afforded protective measures for the consumer where the contractor arranges the loan for the consumer. The FHA requires that—

The lending instiutions will not pay the contractor until the homeowner signs a completion certificate stating that all terms of the agreement with the contractor have been fulfilled.

The contractor must sign a statement that all bills in connection with the home improvement have been paid or will be paid within 60 days, and this increases the borrower's protection should any claim by a subcontractor arise.

Since contractors know that failure to take care of complaints that are legitimate might cause FHA to restrict their participation in the title I program, title I is a persuasive force in influencing good workmanship and consumer satisfaction.

In addition to this, title I loans are the most economical for the consumer in today's money market.

I might mention that I personally asked the branch manager of my company to obtain for me rate charts of conventional plans in their particular territories, and I received charts that ranged from 6 percent to 12 percent discount which means that the true interest rate would be somewhere from 10 percent to better than 20 percent in simple interest.

It is quite apparent that unless Congress acts to change title I to meet today's needs, the consumer will continue to suffer. Adoption of these recommended changes will be a realistic adjustment by Congress of the FHA home improvement program to meet present conditions. The proposed amendments will increase the protection to the public by a revitalization of what has proved to be a workable and accepted program, which makes possible the upgrading and improvement of the homes of the Nation at the lowest possible level of cost to the consumer.

Mr. BARRETT. Thank you, Mr. Butler. We certainly appreciate your statement. We will take your recommendations and we shall have the staff and members of the committee study them carefully. Mr. Fino?

Mr. FINO. No questions.

Mr. HARVEY. I have no questions, but I want to tell Mr. Butler I have received a good number of letters myself and I appreciate his very fine statement very much.

Mr. BUTLER. Mr. Chairman, might I state—I was gratified to learn that the National Association of Home Builders, independent of my position, made the same recommendations in their statement the day before yesterday. I just noticed it.

Mr. BARRETT. Fine.

Mr. BRICKLE. Would it be permissable for the National Lumber & Building Material Dealers Association to submit a statement in addition to this?

Mr. BARRETT. Yes, indeed, and without objection so ordered.

(The statement referred to follows:)

STATEMENT OF THOMAS T. SNEDDON, EXECUTIVE VICE PRESIDENT, NATIONAL LUMBER & BUILDING MATERIAL DEALERS ASSOCIATION

I am Thomas T. Sneddon, executive vice president of the National Lumber & Building Material Dealers Association, 302 Ring Building, Washington, D.C. The association of 13,000 member firms represents the building materials distribution industry which handles over $7 billion in building materials annually.

We are in accord with the views of the National Association of Home Builders and the Lenders Committee of the National Home Improvement Council in support for change to the home improvement provisions of title I of the FHA program. Historically, title I has encouraged and enabled the American homeowner to improve and expand his residence to satisfy changing family needs. The extra bedroom, the new garage, the recreation room, and countless other additions or alterations have contributed significantly to the home and family life, the preservation of property values, and as a deterrent to neighborhood deterioration.

Since the inception of title I, FHA-insured home improvement loans have served the dual role of facilitating home improvement programs and, indirectly, acting as the standard against which many conventional forms of home improvement financing were patterned. Unfortunately, title I has become antiquated in relation to current levels of conventional financing. Today, noninsured loans for home improvement programs have more realistic maximum amounts and repayment periods. In 1965 the Federal Home Loan Bank Board granted all Federal savings and loan associations authority to increase home improvement loans to a maximum of $5,000 with an 8-year maturity. Finally, conventional forms of financing enjoy greater liquidity because of market-oriented discount rates.

While the conventional financing sector of the lending community has realined its thinking toward home improvement loans, title I insurance programs are bound generally by criteria established in 1934, 32 years distant from today's money market. For this and other reasons, the utilization of the title I insurance program has rapidly declined to 29 percent of all loans for installment credit extended in repair and modernization activity.

The declining use of FHA, title I insurance restricts the consumer's alternative for home improvement financing. He must resort to noninsured financing sources, which in some cases do not proffer protections balanced to the best interests of either the borrower or the lender. Frequently, the borrower is encouraged to refinance automobile loans or other obligations as part of a home improvement loan. Periodically, shady or deceptive practices are used to induce the borrower to engage in an ill-conceived and improperly planned improvement. Finally, under a limited number of lending concepts, excessive interest rates, hidden costs, and subtle innovations can consume a disproportionate share of the financing. Although the aforecited practices are not indicative of all the members of the money market, they occasionally appear.

Since the inception of title I the costs for labor and material have increased to a point where the FHA limitation of $3,500 is inadequate when the loan is considered by the homeowner. In addition, the 60-month maturity may require payments in excess of the homeowner's ability to pay. If the borrower is unable to program his improvement plan within the scope of FHA title I, he must resort to other forms of financing which do not include the protective provisions required by the FHA, such as contractor's completion certificates prior to payment and statements indicating that materialmen were paid.

Keeping in mind the declining use of title I, recognizing the everchanging economic conditions, appreciating the need for home improvements, and acknowledging the consumer's need for financing alternatives should prompt congressional interest in revitalizing the title I program.

Therefore, we urge the committee to seriously consider amending FHA Title I, Home Improvement Provisions, Class I–A, by establishing a $5,000 loan limitation and a 7-year maturity. We believe such changes will convert title I to a more realistic program for the benefit of all parties to a home improvement endeavor.

Mr. BUTLER. Thank you.

Mr. BARRETT. Yes, sir.

Mr. BUTLER. Congressman Weltner was to be here with me. I thought I was going to be on after lunch.

Mr. BARRETT. We moved more rapidly then expected so we decided to hear you before lunch.

Mr. BUTLER. Thank you, sir, I appreciate the committee's hearing me. Thank you.

Mr. BARRETT. All time has expired.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:35 p.m., the subcommittee recessed to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Present: Representatives Barrett (presiding), Moorhead, Reuss, and Harvey.

Mr. BARRETT. The committee will come to order.

Our first witness this afternoon is the Honorable Charles L. Weltner, one of our distinguished colleagues and one who is loved and respected by all the Members of Congress, regardless of what part of the country from which they come. He is also a member of the full Banking and Currency Committee and certainly has proved himself to be very knowledgeable and very capable.

Congressman, it is an honor to have you testify before our committee this afternoon, and if you desire to make your statement in full, you may do so.

STATEMENT OF HON. CHARLES L. WELTNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. WELTNER. Thank you very much, Mr. Chairman. I am grateful for permission to appear before my colleagues today.

Mr. Chairman, I do not have a written statement and I will not consume a great deal of time. But there is a matter of continuing urgency that I should like to discuss.

Last year the chairman was good enough to hear from me on the question that I had raised pursuant to my bill, H.R. 696, concerning the difficulties that attend owners of houses in the proximity to airports.

I pointed out last year, Mr. Chairman, that the 5-year plan of the Federal Aviation Agency contemplates within that period of time a total of 4,858 separate projects concerning airports in this country.

Of course, aviation is a growing industry, and we must have bigger airports, and larger and wider and longer landing strips. That is fine. But the problem comes in the effect of building new aviation facilities near existing homes. And as the chairman and members are aware, the Federal Housing Administration has a policy of refusing to issue any kind of FHA insurance on homes which they determine to be in proximity to airports. This is not the same as the determination of homes within a safety zone. This could be homes anywhere from 1 mile or even 2 miles away from the end of a runway. The Federal Housing Administration will not issue insurance on those homes and consequently those homeowners find it extremely difficult to sell their houses. They are first damaged by the noise and the inconvenience, and secondly they are damaged by the total unavailability of FHA insurance in any amount, to any degree, on their homes. The Congress recognized last year, and in section 1113 of the Housing and Urban Development Act of 1965 the Housing Administrator was required to undertake a study and to report back on what methods might be implemented to reduce loss and hardship to homeowners whose property is depreciated in value following construction of the airports in the vicinity of their home. That report was to be submitted within 1 year from the date of the enactment of the 1965 act, which was in August.

Now, then, I am advised, Mr. Chairman, that the Senate appropriated $60,000 for that report, and that the matter was totally eliminated in conference. Consequently there was no special appropriation for that study. I am further advised that the Housing Administrator is not at the present time conducting any kind of study with regard to this problem.

I would like to offer two things at this point. One is a letter which I found to be rather compelling from one of my constituents, and I would like to offer that for submission in the record.

My constituent lives in 1 of the 484 houses, in my district, which are physically between 2 runways. She did not build the house between the runways; the Federal Aviation Agency and the Atlanta Airport built those runways on either side of her house. This letter says that "this area is a slum now and we are trying to get urban renewal interested. About 50 houses are lived in by the owners. About 50 are rented and now mostly torn down; 25 are vacant. One

on one side of our home has been vacant over a year. On the other side since May."

Then she says: "In this case tho [sic] no tenant is the best neighbor you can have. Even riff-raft [sic] won't move in any more."

With your permission, Mr. Chairman, I would like to offer that and I should like to offer correspondence I originated with the Commissioner of the Housing Administration subsequent to the passage by the House of the chairman's bill last year.

Mr. BARRETT. Without objection it is so ordered.

(The letters referred to follow:)

HAPEVILLE, GA., *November 1, 1965.*

Hon. CHARLES WELTNER,
Capitol Office Building,
Washington, D.C.

DEAR MR. WELTNER: Will you please give me any information you may have concerning the Fairfax subdivision. We are living in very terrible conditions and there seems to be no hope that the city of Atlanta will do anything about ruining our homes. I understand that they do not need the property but we should not be left between those two runways.

This area is a slum now and we are trying to get urban renewal interested. About 50 houses are lived in by the owners. About 50 are rented and now mostly torn down; 25 are vacant. One on one side of our home has been vacant over a year. On the other side since May. In this case tho no tenant is the best neighbor you can have. Even riff-raft won't move in anymore.

What happens to the money appropriated for houses? The airport has been given millions for runways and adjacent property. Now I see where they want to sell bonds totaling $12 million. I understand that the FAA has the final say so where the money is to be spent.

We have gotten the runaround from everyone. They tell us that we have their sympathy, they understand our problem, etc. I do not want to raise my teenage daughter in a slum. Have you seen this area lately. My husband and I have 15 years equity in our home and are too old to just walk off and start over.

We (I am acquainted with most homeowners) are willing to cooperate with anyone to get rid of this property for what we have in it. Why does the property all around us sell for $25,000 an acre when ours is worth nothing. I understand that "Fanny May" has sold our mortgages to a Wisconsin Company.

Is there any hope for us? A taxpayer, a registered voter. I remain,

Yours very truly,

MARGARET G. HORTON.

JULY 1, 1965.

Hon. PHILIP N. BROWNSTEIN,
Commissioner, Federal Housing Administration,
Washington, D.C.

DEAR MR. BROWNSTEIN: During the past few months, I have become increasingly concerned over the plight of homeowners in sections adjacent to federally assisted airports. In my own district, substantial Federal funds have gone to expand the Atlanta Municipal Airport under the Federal Airport Act. Runway proximity has created severe problems of noise and vibration with a subsequent sharp decline in property value.

Yesterday Congress enacted the Housing and Urban Development Act of 1965. I call your attention to the committee recommendations under title II, FHA Insurance Operations, dealing with the problem of proximity to airports.

The committee cites its deep concern over the hardship suffered by homeowners in this category, and strongly urges the FHA Commissioner to review his present policies and procedures in order to * * * reduce the economic loss suffered by these homeowners in the event they sell their homes.

I hope I will hear from you in the very near future concerning this serious problem involving thousands of citizens who are severely injured by the present situation.

I feel that my proposed amendment to the National Housing Act, H.R. 696, would promise the most expedient solution of a problem that is destined to grow ever more pressing with increased aviation activities.

With best wishes.

Sincerely,

CHARLES LONGSTREET WELTNER,
Member of Congress.

FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., July 12, 1965.

Hon. CHARLES LONGSTREET WELTNER,
House of Representatives,
Washington, D.C.

DEAR MR. WELTNER: I have received your letter on the recommendations of the Committee on Banking and Currency in its report of H.R. 7984 on the problem of the proximity of housing to airports. I was particularly interested in the committee's suggestion that the establishment of a fund for payment of damages under the Federal Airport Act may afford the most direct and equitable solution.

I share your concern over the adverse effect that the construction and expansion of airports is having on homeowners located adjacent to airports. However, I do not believe that FHA mortgage insurance is the proper vehicle for providing compensation to property owners for losses caused by airport expansion. My reasons for this view were outlined in my letter to you on this subject on March 19, 1964.

If compensation to homeowners for damage resulting from airport expansion is justified, I believe the committee's recommendation for provisions under the Federal Airport Act should be given serious consideration. These considerations should, however, be carefully weighed against the widespread ramifications, from an overall Government point of view, that would result from providing special relief to homeowners whose property values are affected by airport expansion activities where comparable relief is not being provided for homeowners whose property values are affected by other activities of the Federal Government.

Sincerely yours,

(Signed) Philip N. Brownstein,
(Typed) P. N. BROWNSTEIN,
Commissioner.

Mr. WELTNER. The Chairman will recall that in his report there was a direction to the Housing Administrator that he review his present policies and procedure in order to reduce the economic loss suffered by these homeowners in the event they sell their homes.

In my letter of July 1, I called that to the Commissioner's attention. On July 12, he responded. Apparently the review consists of three paragraphs, and this is as much as we have been able to generate as a result of either the direction in the report or section 1113 of the Housing Act.

I would like to offer both those and I have two specific recommendations, Mr. Chairman.

Mr. BARRETT. Those are in the record now.

Mr. WELTNER. Thank you, Mr. Chairman.

I would like to suggest, Mr. Chairman, that we place at the appropriate place in the bill an amendment to section 1113 to provide that the report therein called for be submitted no later than 6 months after the date of enactment of this bill, of the 1966 legislation and also a specific authorization for appropriation in the amount of $100,000.

Now, whether it needs to be $125,000 or $75,000, I do not know. I think we should have a specific authorization clause in our bill, and I think we should diligently pursue the prospect of having that funded by the appropriations process in both Houses.

Secondly, Mr. Chairman, I simply——

Mr. BARRETT. Do you desire to submit this?

Mr. WELTNER. Yes; I have a proposed form for amendment which I would like to submit.

Mr. BARRETT. It may be submitted for the record.

(The proposed amendment referred to follows:)

AMENDMENT PROVIDING FUNDS FOR STUDY CONCERNING RELIEF OF HOMEOWNERS IN PROXIMITY TO AIRPORTS

Page —, after line —, add the following new section:

STUDY CONCERNING RELIEF OF HOMEOWNERS IN PROXIMITY TO AIRPORTS

SEC. —. Section 1113 of the Housing and Urban Development Act of 1965 is amended—

(1) by inserting "(a)" after "SEC. 1113.";

(2) by striking out "one year after the date of the enactment of this Act" and inserting in lieu thereof "six months after the date of the enactment of the Housing and Urban Development Act of 1966"; and

(3) by adding at the end thereof the following new subsection:

"(b) There is authorized to be appropriated the sum of $100,000 to carry out subsection (a)."

Mr. WELTNER. Secondly, I would like to take this opportunity to place on the record the contents of my bill, H.R. 696, which is before the committee. This bill is not a bill which will call for the acquisition by the Federal Government of any property. It is not a matter of paying damages. The only thing this bill does is to reverse the FHA policy of refusing to extend insurance on homes which happen to be adjacent to airports. It is further limited to apply only where the airport is built by the home, not where the home is built by the existing air facility.

This bill would require that the FHA issue insurance on those homes, notwithstanding its current policy, and that it issue insurance without considering the diminution in value caused by the adjacency to the airport. There is created, as the Chairman will recall, a special fund in the mutual mortgage insurance fund to constitute a special reserve for any specific losses that might occur. That would, in my opinion, maintain the actuarial soundness of the fund. It would not impair the fund and it would have a special reserve to buttress it.

Specifically, the situation arises many times where an owner of a house near which an airport has been built has a buyer ready, willing, and able to buy, but he must have FHA insurance because he is unable to come up with the required downpayment for conventional financing. A contract is entered into and it is submitted to the FHA, and the FHA says, "No, we are not going to insure it." Consequently, absent FHA financing, there is no sale, and the loss occurs.

Last year's record shows correspondence previously on this matter. This is one solution to our problem that would not cost the Government any money.

Now, there may be other solutions and the FHA may not like this solution. But they have not suggested any better solution. The FHA has not proposed any remedial legislation, although they have had this matter and this specific suggestion for 2 years now.

So I submit, Mr. Chairman, that absent some initiative on the part of the agency, maybe this committee ought to take the inititative. If FHA's policies are not going to be reviewed, and if they are not going

to be adjusted to protect the rights of these homeowners, it is up to this commitee to do it for them.

Mr. BARRETT. The Chair assumes that you desire to submit that bill, also?

Mr. WELTNER. I should like permission to do that, sir, and have it included, if appropriate.

Mr. BARRETT. Without objection, so ordered.

(H.R. 696 follows:)

[H.R. 696, 89th Cong., 1st sess.]

A BILL To amend the National Housing Act to facilitate sales of one- to four-family residences in locations adversely affected by airports constructed or expanded with Federal financial assistance furnished under the Federal Airport Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(l)(1) In determining (for purposes of subsection (b)(2)) the appraised value of any property which—

"(A) is located adjacent to or in the immediate vicinity of an airport constructed or expanded with Federal financial assistance furnished under the Federal Airport Act, and

"(B) was purchased by the owner thereof prior to the construction or expansion described in subparagraph (A), and

"(C) is being resold by such owner (after the date of the enactment of this subsection) with the assistance of a mortgage insured under subsection (b),

any diminution in such value occasioned by the proximity, excessive noise, or other adverse effects of such airport shall be disregarded.

"(2) There is hereby established in the Treasury of the United States a special fund for the purpose of providing a means of reimbursing the Mutual Mortgage Insurance Fund (in the manner prescribed in paragraph (3)) for any net losses sustained in connection with the insurance of mortgages to which paragraph (1) applies. There are authorized to be appropriated to the special fund such sums as may be necessary.

"(3) In any case in which payment of insurance is made under section 204 with respect to a mortgage to which paragraph (1) of this subsection applies, there shall be paid into the Mutual Mortgage Insurance Fund for the special fund established by paragraph (2) of this subsection an amount equal to the difference between (A) the amount of such payment of insurance, and (B) the amount of the payment of insurance which would have been made under section 204 if the appraised value of the property involved had been determined without regard to this subsection and the mortgage amount had been reduced accordingly; but this paragraph shall apply only if the Commissioner, at the time the mortgage was executed, indicated in writing his intention to utilize the special fund in connection with any payment of insurance which might become necessary with respect to such mortgage."

Mr. BARRETT. I just want to tell the gentleman that I know how tirelessly he worked last year on this bill, and I am quite sure that the committee will give every consideration to his desires.

Mr. WELTNER. Thank you, Mr. Chairman. I appreciate the consideration as shown in the report of the committee last year. I am hopeful that if we keep at this we somehow may find the solution to a vexing and growing problem.

Mr. BARRETT. Thank you.

All time has expired unless the gentleman on my left desires to ask a question.

Mr. HARVEY. No, Mr. Chairman. It was a very excellent presentation. I commend the gentleman from Georgia on it. What is the attitude of the FHA Commissioner on the bill? I do not anticipate

an answer at this hearing. I know the gentleman has worked on it for more than a year now.

Mr. WELTNER. The position of the Commissioner is to be against it. But, there is no alternative proposal that I know of. If the chairman desires I will be happy to make available my file of correspondence which sets out the proposal, and very courteous response by Mr. Brownstein.

Mr. Brownstein states that although this proposal would protect the seller and the FHA and the mortgagee, that it would not protect the purchaser. I commented back to him that the only thing necessary to protect the purchaser is to assure that he is aware of the proximity to the airport. That could be done very simply by requiring a statement or acknowledgement to that effect. If we are protecting everyone other than the purchaser, then we could easily assure that the purchaser were protected by requiring that his certificate acknowledging on his part the realization that the home was within certain proximity of the airport. That is the only objection in truth that I could discern from this correspondence, and I will submit it and possibly the staff could extract those portions which would be relevant to Mr. Harvey's inquiry.

Mr. BARRETT. They may be, without objection, so ordered.

(The material referred to follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., February 1, 1964.

Hon. PHILIP N. BROWNSTEIN,
Commissioner, Federal Housing Administration,
Washington, D.C.

DEAR MR. BROWNSTEIN: During my short tenure in Congress, I have become increasingly concerned over the plight of homeowners in sections adjacent to federally assisted airports. In my own district, substantial Federal funds have gone to expand the Atlanta Municipal Airport. In so doing, runways have been extended to such proximity to many residents as to create severe noise and vibration problems. The houses, though not within the zone subject to acquisition under the airport construction law, have nonetheless experienced sharp decline in property values.

I am aware that the question of FHA insurance for such houses has been considered at length and rejected as actuarially unsound. However, I hope that the consideration might be given to a separate appropriation to create a reserve fund specifically to cover losses in such circumstances.

It seems to me when one agency of the Government, FAA, generates action that diminishes residential values, it would be appropriate for another agency, FHA, to remedy the situation in this matter.

With the existence of such reserves, normal underwriting procedures could be applied in applications for insurance without regard to noise and vibration features. If FHA incurs higher than normal losses under default and foreclosure proceedings, the special reserve fund would maintain actuarial soundness of overall operations.

I am sure you are aware of the widespread existence of the problem. With the expansion of air travel and increased use of jet aircraft, it is only reasonable to anticipate that the problem will worsen in coming years.

I should like to have the opportunity of discussing this with you at your early convenience. May I hear from you on this matter?

Sincerely,

CHARLES LONGSTREET WELTNER,
Member of Congress.

FEDERAL HOUSING ADMINISTRATION,
OFFICE OF THE COMMISSIONER,
Washington, D.C., February 18, 1964.

Hon. CHARLES LONGSTREET WELTNER,
House of Representatives,
Washington, D.C.

DEAR MR. WELTNER: I share your concern with the effect of increasing and noisier air traffic on residential values. The Federal Housing Administration and the Federal Aviation Agency have worked closely to understand and define the factors of the problem, but the fact remains.

I agree with you that the basic problem is the sharp decline in property values, and this, of course, reflects the market attitude itself. Houses subject to these noise disturbances and other hazards may be less desirable to the prospective buyer than others which are not so affected, and resales are slow and at reduced prices to meet the competition. The adverse effect varies widely, however, since some communities and some neighborhoods are much more air minded than others. In the latter the effect is sometimes negligible.

Other neighborhoods or sections of neighborhoods can be in locations where the noise or even direct physical hazards are such that, by FAA criteria of safety and human tolerance, the health and safety of people living in the area are endangered. In such areas the FHA does not insure mortgages on homes. Otherwise, the FHA does insure mortgages on homes affected by airports, but prices that the typical buyers in the open market will pay for them must be recognized. Otherwise we would be insuring mortgages, to be paid for by the new buyer, greater than the price paid, or inducing the new buyer to pay a price in excess of value. This could relieve the loss in value to the seller but create an unacceptable situation to a prospective buyer of either new or older homes.

The major problem then appears to be the loss in value to the homeowners themselves that arises from the changed environmental conditions of their homes. In varying degrees, such changes are not confined to airports but can and do arise from many sources, such as increasing commercial or manufacturing influences, new highways, city growth tendencies, and other factors of our ever-changing growth and progress.

In the case of airports, however, the change is often comparatively fast, obvious, and dramatic and often appears to arise from the larger necessities of our national progress with little opportunity for local neighborhoods to adjust themselves to these influences. Mortgage defaults may result, but such losses are considered part of the measured risk of mortgage insurance.

A separate appropriation to create a reserve fund specifically to cover losses due to mortgage default would serve only to protect the FHA, the mortgagee, and result in some benefit to the seller, but would in no way protect the innocent purchaser of such a property.

The problem is a serious one, and of concern to us all. We are constantly reviewing the matter to assure that our policy on the insurance of loans in noise affected neighborhoods is in keeping with our role of an insurer of mortgage loans. Thank you for the opportunity of giving you our position regarding this problem. Please let me know if you desire to discuss the subject further.

Sincerely yours,

P. N. BROWNSTEIN, *Commissioner.*

FEBRUARY 24, 1964.

Hon. P. N. BROWNSTEIN,
Commissioner, Federal Housing Administration,
Washington, D.C.

DEAR MR. COMMISSIONER: I have your letter of February 18, and have discussed its content with several members of your staff. I can agree wholeheartedly with the matters set forth on the first page of your letter, and am certain that the problem is one which the FHA is very much aware.

However, the question comes as to its solution. To date, I have not been advised of any active plans to alleviate this situation.

In commenting on my specific suggestion of the reserve fund, you say it would serve to protect "the FHA, the mortgagee, and result in some benefit to the seller, but would in no way protect the innocent purchaser of such a property."

It has been my experience that the availability of financing is the primary problem (not the existing noise itself), when purchasers are sought for such

properties. Your present procedure requires the acknowledgment by purchasers of certain facts. The proximity to the airport could even be included in such acknowledgment.

Further, there seems to be a parallel in the mortgage coverage for relocation housing. It might just as easily be argued that this does not protect the innocent purchaser.

In short, I feel that something must be done, and to date, nothing has been done. May I request that you give further consideration to this matter in the light of the above comments.

Looking forward to discussing this in person with you, I am,

Sincerely,

CHARLES LONGSTREET WELTNER,
Member of Congress.

FEDERAL HOUSING ADMINISTRATION,
OFFICE OF THE COMMISSIONER,
Washington, D.C., March 19, 1964.

Hon. CHARLES LONGSTREET WELTNER,
House of Representatives,
Washington, D.C.

DEAR MR. WELTNER: I am replying further to your letter of February 24, 1964, requesting that FHA study the proposal which you made concerning mortgage insurance to facilitate the sales of certain existing home properties adversely affected by the influence of federally aided airport expansion.

Our understanding of your proposal is briefly this: FHA insurance should be made available for the purchase of all existing single-family homes adversely affected by airport expansion at a valuation established as if no airport influences affected the property. Prospective purchasers of such properties would acknowledge in writing that they were aware of the airport influences. In recognition of the fact that FHA would be exposed to unreasonable risks under this proposal, a special reserve for losses would be authorized and funded by the Congress.

First, let me say that I do not believe FHA mortgage insurance is the proper vehicle for compensating property owners for losses caused by airport expansion, even though such expansion has been assisted by another Federal agency. If compensation is justified, a more direct method should be sought which would benefit property owners who do not desire to sell as well as those who do.

FHA insurance is presently available on some homes adversely affected by airports. However, our policy recognizes that the desirability of properties near airports may be affected adversely by existing or potential hazards of low-flying aircraft, the nuisance of noises, and the possibility of mushrooming non-residential uses. FHA policy is, therefore, that marketability shall be the strongest indicator of acceptability of such properties, and that valuation shall be determined by market price.

If the airport influences directly jeopardize the structural integrity of the properties or the health or safety of the occupants, they are unacceptable to FHA for insurance. For example, if the measured noise levels are such as to be injurious to the occupants' health or to damage the house, or if a house is directly and immediately in the approach or departure patterns of principal airport runways, it is unacceptable for FHA mortgage insurance. In determining the criteria for judging the acceptability of properties near airports, FHA works closely with the Federal Aviation Agency.

Beyond these comments, the proposal raises specific questions and problems, among which are the following:

1. The FHA mortgage underwriting requirement of "appraised value" is statutory. The requirement relates to "economic soundness" or, in certain programs, to "acceptable risk." Nevertheless, both of these assume sound principles of underwriting. The proposal would substitute a policy of compensation.

Moreover, the national housing policy stated in the Housing Acts of 1949 and 1954 directs FHA to follow sound underwriting practices, and clearly opposes the insurance of properties that endanger the health and safety of the occupants.

2. The purchasers of these adversely affected properties would not be fully protected even though they acknowledged in writing that they were aware of the airport influences. The typical homebuyer would not fully appreciate the effects these influences would have on the value of the property over an extended period of time. The Senate Banking and Currency Committee, in its report on

the Housing Act of 1954, recognized FHA's responsibility to individual home purchasers in stating:

"While naturally and properly the FHA should be concerned with protecting its insurance fund, the builder, and the mortgagee against loss, and encouraging profitable programs of construction * * *. It is your committee's considered opinion * * * that it is the intent of Congress that the HHFA and its constituent agencies in their administration of the program which they are authorized to carry out shall at all times regard as a primary responsibility their duty to act in the interest of the individual home purchaser and in so doing to protect his interest to the extent feasible."

3. Section 226 of the National Housing Act requires that FHA make sure that each purchaser is provided with a written statement setting forth the amount of the FHA appraised value of the property. FHA could be placed in an untenable position if required to establish artificially high valuations for houses near airports. The extent of the excess valuation would become apparent to the home purchaser when he observed selling prices of neighboring properties or attempted to sell his own.

4. Properties acquired by FHA are ordinarily priced competitively and put on the market. If we were to place artificially high valuations on properties near airports and subsequently acquired such properties by foreclosure or assignment, FHA would offer the properties for sale at market prices. The extent of the excess valuations would then become apparent, and would be a form of compensation for the airport influences, and, as I have previously said, I believe a more direct method of compensation should be sought.

I appreciate the opportunity to present our views on this matter. If you would like to discuss this personally with me, I would be pleased to arrange to do so at some mutually convenient time.

Sincerely yours,

P. N. BROWNSTEIN, *Commissioner.*

Mr. HARVEY. Thank you, Mr. Chairman.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Mr. Chairman, first I want to compliment the gentleman from Georgia. No Member of Congress is more zealous, dedicated, and able in taking care of the interests of his constituents than the gentleman from Georgia.

I would like to ask on this bill of yours, H.R. 696, taking a specific example, if an owner has a house with a fair market value of $30,000, along comes an airport and because of the noise, the best he can sell it for is $20,000, what value can the FHA put on this for the mortgage purposes under your bill?

Mr. WELTNER. Under the bill the FHA is required to assess it or to appraise without diminution by virtue of its proximity to the airport.

Now, that would mean that they would be required to write up to a $30,000 appraisal. But if the contract price was $20,000, then, of course, the $20,000 would be the total extent, and the financed amount, the mortgage amount would be somewhat less than that. So the liability would be $20,000. The problem is not trying to protect at this point the difference between the $30,000 and the $20,000, because I do not think we can do that through the FHA. The problem is to get the FHA to act so that the normal market transaction can be completed and the house can be sold for $20,000. The owner still suffers a $10,000 loss, but at least he can get $20,000 for it if the FHA wrote the insurance. Under the present policy it will not write any insurance and without FHA financing many homes simply cannot be sold.

Mr. MOORHEAD. Thank you.

Mr. BARRETT. Thank you, Mr. Moorhead.

Thank you, Congressman, all time has expired.

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Our next witness this afternoon is a very distinguished Member of Congress from New York, the Honorable Seymour Halpern. Come forward, Congressman.

I observe, Congressman, you have an associate with you. Will you be kind enough to introduce your associate?

Mr. HALPERN. Be happy to.

Mr. BARRETT. Mr. Halpern is a member of the full Banking and Currency Committee. Everyone respects you for your capabilities: you are very knowledgeable and very helpful, not only to your constituency but to this full committee, the Banking and Currency Committee and we are certainly proud to have you here this afternoon.

STATEMENT OF HON. SEYMOUR HALPERN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK; ACCOMPANIED BY PETER CONNELL, ADMINISTRATIVE ASSISTANT

Mr. HALPERN. I thank the chairman for his very generous remarks.

I would like to introduce Mr. Peter Connell, my administrative assistant who has made a very careful study of the proposed housing act and the amendments thereto and has been especially helpful to me in preparing this analysis.

Mr. Chairman, I wish to thank you for the opportunity of presenting my views on pending legislation to this distinguished subcommittee.

I would like to commend this subcommittee as being one of the most effective, most hard-working subcommittees, and I want to commend you, Mr. Chairman, for your superb leadership.

Mr. BARRETT. Will you yield to me, please?

We have two distinguished gentlemen here—Mr. Carl Hertz and Mr. Harry Norman—and we are hoping we can terminate our hearings this afternoon at 3 o'clock. So I just want to somewhat relieve the minds of these distinguished gentlemen coming here through the interest of our colleague, Bob Sweeney, but we will do everything we can to terminate the hearings.

Mr. HALPERN. I can assure you, Mr. Chairman, I am not going to be very long. I shall try to confine my remarks within 10 minutes.

Mr. BARRETT. Consume the time necessary.

Mr. HALPERN. I am aware that the subcommittee has been conducting extensive hearings on several very important and forward-looking measures in the past few weeks, so in the interests of brevity, I shall restrict my remarks today to that legislation which concerns management type cooperative housing. Specifically, Mr. Chairman, I refer to my bills, H.R. 12765 and H.R. 12766, and to section 102 of your bill, H.R. 13065.

Mr. Chairman, over the past few years, I have become increasingly impressed by the splendid record established by management type housing cooperatives in meeting their mortgage commitments. As you know, these mortgages are insured by the FHA pursuant to section 213 of the National Housing Act. In return for insuring these mortgages, the FHA exacts an insurance premium of one-half of 1 percent of the outstanding mortgage balance.

Quite obviously, this is an insurance program, and as such, should be grounded on sound actuarial practices. Ordinarly, good insurance ex-

perience brings about a direct reduction in premiums, or, under mutual programs, dividends are prorated from time to time, as further experience dictates. In recognition of this fact, we authorized a premium reduction in 1961, and last year, we established—thanks to your committee—a separate mutual fund for management type cooperative housing. Unfortunately, the premiums have still not been reduced, and major difficulties have been encountered in implementing the establishment of the management fund. The legislation which I introduced would provide for a reduction in premiums for management type cooperatives of one-fourth of 1 percent, and would provide the perfecting amendments necessary to expedite the implementation of the mutual management fund.

On the basis of the past performance of management type co-ops, I firmly believe that this legislation is warranted. Since the inception of this program in 1950, management type cooperatives have paid premiums to the FHA totaling approximately $27½ million. Over the same period of time, their losses have amounted only $693,000. Thus, the difference between premiums paid and losses sustained is almost $27 million. I think this is an amazing record, and if ever there was a justfication for reducing premiums, it is with respect to this class of property holders.

In fiscal year 1965, for example, management type co-ops paid premiums to the FHA of $4,301,000. After deducting losses, and administrative expenses attributable to operating this program, and after making provision for necessary reserves, the net income to the FHA from this program was $3,371,000—and this was for fiscal year 1965 alone. Had the management type co-ops paid the reduced premium of one-fourth of 1 percent during fiscal year 1965, the net income to the FHA would still have been $1,218,000. I cannot conceive of any better evidence to support the assertion that the time has come to make this reduction mandatory.

For this reason, I introduced H.R. 12765, which, with the approval of the committee, I would like to submit for the record.

Mr. BARRETT. Without objection, so ordered.

(H.R. 12765 follows:)

[H.R. 12765, 89th Cong., 2d sess.]

A BILL To amend the National Housing Act to reduce the premiums charged for the insurance of certain cooperative housing mortgages

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 203(c) of the National Housing Act is amended by striking out "*Provided,* That any reduced premium charge so fixed and computed" and inserting in lieu thereof the following: "*Provided,* That the premium charge fixed for the insurance under section 213 of mortgages which are the obligation of the Cooperative Management Housing Insurance Fund (or which are insured under subsection (a)(1), (a)(3) (if the project is acquired by a cooperative corporation), (i), or (j) of such section and remain the obligation of the General Insurance Fund) shall not exceed an amount equivalent to one-fourth of 1 per centum per annum: *Provided further,* That any reduced premium charge fixed and computed under the preceding provisions of this subsection".

Mr. HALPERN. This bill provides the necessary amendment to section 203(c) of the National Housing Act, and I respectfully urge this subcommittee to incorporate this provision in the chairman's bill. For if we fail to take this action, I believe that the discretionary authority

which we provided in 1961 will never be exercised, and the manifest will of the Congress will have been ignored.

With respect to the mutual fund which we established last year, certain difficulties have arisen, as a result of which, its full implementation has been held in abeyance. In setting up this separate mutual fund, it was our intention to segregate, from the general insurance fund, those premiums, administrative costs, and any losses attributable to the management type co-ops. We provided that when this new management fund was sufficiently strong, the FHA would be authorized to distribute shares or dividends to the co-op owners whose premiums had provided this strength. In fairness, we also stipulated that no such disbursements may be paid out until any funds which might be transferred to the management fund from the general fund had been reimbursed.

Since that time, the question arose as to whether this reimbursement requirement applied to the initial transfers to the mutual fund, or only to any loans which might be made to that fund from the general fund. The obvious answer is that it applies only to subsequent loans and apparently, the FHA understands this to be the case, for their General Counsel has interpreted the law to this effect. However, lest there be any possibility of misconstruing congressional intent on this point, section 2 of my bill, H.R. 12766, would make this intention absolutely clear as a matter of permanent statutory law. I would like to introduce this bill for the record.

(H.R. 12766 follows:)

[H.R. 12766, 89th Cong., 2d sess.]

A BILL To amend section 213 of the National Housing Act to permit the more effective operation of the Cooperative Management Housing Insurance Fund

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the fourth sentence of section 213(k) of the National Housing Act is amended to read as follows: "The Commissioner is directed to transfer to the Management Fund from the General Insurance Fund an amount equal to the total of the premium payments theretofore made with respect to the insurance of mortgages and loans transferred to the Management Fund pursuant to subsection (m) minus the total of any administrative expenses theretofore incurred in connection with such mortgages and loans, plus such other amounts as the Commissioner determines to be necessary and appropriate."

SEC. 2. The second proviso in section 213(l) of the National Housing Act is amended by striking out "pursuant to subsection (k) or (o)" and inserting in lieu thereof "pursuant to subsection (o)".

SEC. 3. Section 213(m) of the National Housing Act is amended by striking out ", but only in cases where the consent of the mortgagee or lender to the transfer is obtained or a request by the mortgagee or lender for the transfer is received by the Commissioner within such period of time after the date of the enactment of this subsection as the Commissioner shall prescribe".

SEC. 4. Section 213(n) of the National Housing Act is amended by striking out "issued in connection with mortgages" and all that follows and inserting in lieu thereof the following: "issued in connection with mortgages which are the obligation of either the Management Fund or the General Insurance Fund."

Mr. HALPERN. In addition, section 1 of that bill provides that the Commissioner of the FHA will transfer to the new management fund an equal amount to the premiums already paid by these co-ops, minus the administrative expenses theretofore incurred. Under present law (sec. 213(k)), the Commissioner is directed to transfer to the new fund only what he "determines to be necessary and appropriate." I think it is imperative that we spell out what we consider to be "appro-

priate," so that the management fund will reflect the full strength of the co-op program right from the start. This need not be done in terms of dollars and cents, but I believe that the formula—premiums minus losses and administrative expenses—should be written into the law. To illustrate, I might point out that as of August 31, 1965, premiums of this class amounted to $27,430,000; administrative expenses were $9,687,000 and losses were $693,000. Thus, the "appropriate" amount to be placed in the management fund at that time would have been $17,050,000. Unless the full amount is placed in the mutual fund, the provision for periodic disbursements based on the strength of the fund is of very little value.

Finally, Mr. Chairman, sections 3 and 4 of my bill are identical in design to section 102 of your bill, H.R. 13065. While our provisions may differ somewhat in language, they are addressed to the same difficulty and would accomplish the same end.

I believe that these provisions are fair to both mortgagors and mortgagees, and I believe that they are necessary to get the new mutual fund underway. Last year, we amended section 213(m) of the National Housing Act to authorize the transfer of funds from the general insurance fund to the management fund, and we provided that, before this transfer could be effected, the mortgagee or lender would have to consent to this transfer. There is no legal basis for requiring this consent, for it was not required in the case of other funds which were consolidated into the general insurance fund. In any event, mortgagees have declined to consent to the transfer of 78 mortgages with a face amount of over $141 million. And the number of mortgages with respect to which no decision has yet been made is 109, with a face amount of over $202 million. Thus, about half the mortgages which might have been transferred to the new mutual fund still languish in the general fund, and our primary aim in providing mutuality has been thwarted.

The reason which promotes mortgagees to decline consent to transfer has to do with a restriction on the use of FHA debentures which appears to me to have been unintended by the drafters of that provision. At present, when a default occurs, the FHA pays the mortgagee in debentures with varying maturities. These debentures, in turn, may be used by the mortgagee in paying premiums on any FHA insurance, whereas should defaults occur on mortgages insured under the general fund, the resulting debentures cannot be used to pay premiums on 213 management type co-op accounts. What we have, in effect, is a one-way street, so that large lending institutions, which carry a good deal of FHA paper, elect to withhold consent, so that all their accounts are in the same—general insurance fund, and thus all debentures can be used to pay all premiums.

Both the chairman's bill and my bill seek to rectify this anomalous situation, by removing the onerous restriction. With this restriction removed, the requirement of mortgagee consent is no longer appropriate, and accordingly, is also removed. Thus, all accounts of management type co-ops will be transferred into the management fund, which we established for this purpose.

Mr. Chairman, the sole objective of the legislation I have discussed this afternoon is to provide equitable treatment for owners of management type co-ops. Where a class of property holders has demon-

strated over the years its determination and ability to meet its mortgage commitments, they should be given the meaningful encouragement which this legislation provides. Outstanding performance must be recognized and rewarded. This subcommittee realizes this, I know, for it was this subcommittee which amended the Housing and Urban Development Act last year, to establish the new management fund. I am confident that you will continue to scrutinize legislative proposals and seek ways to improve them, and I believe that the provisions of my two bills would enhance the quality of the Housing and Urban Development Amendments of 1966.

Mr. Chairman, I should like to thank you once again for the courtesy extended to me this afternoon, and I would be happy to entertain any questions which you, or any of my other distinguished colleagues, may have.

Mr. BARRETT. Congressman Halpern, I do not have any questions to ask you, but I do want to say that you have made a very fine presentation here this afternoon. I am quite sure the committee will give every consideration to your recommendations.

Mr. HALPERN. I thank the chairman.

Mr. HARVEY. I wanted to add my commendation, also—a very fine statement. I have no questions.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Only to join with my colleagues and say that we have received as I would expect from the gentleman from New York, a very persuasive statement.

Mr. REUSS. This sounds like a heavenly chorus. You make a very persuasive case and I am persuaded.

Thank you very much.

Mr. BARRETT. Thank you, Mr. Reuss.

Thank you, Congressman Halpern. All time has expired.

Next, we hear from two very fine distinguished gentlemen from the great State of Ohio, Mr. Karl Hertz, president, Board of County Commissioners of Clark County, Ohio, and Mr. Harry Norman, director of urban renewal, Springfield, Ohio.

Mr. Hertz and Mr. Norman, it is nice to have you here this afternoon.

May I say that you have sent one of the finest Congressmen that we have yet seen in the United States. He is a very knowledgeable person; he speaks only when he has something to say. He has won the admiration of all the Members in the House.

STATEMENT OF HON. ROBERT E. SWEENEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. SWEENEY. I thank you for your very nice introduction and to my colleagues who grace this subcommittee. I certainly want to say first of all, I do appreciate the opportunity of coming here this afternoon and have the honor of introducing to the subcommittee and to you, Mr. Chairman, Mr. Karl Hertz, who happens to be the city commissioner of the city of Springfield, Ohio. Mr. Hertz is here before the subcommittee to testify in support of H.R. 12341, the city demonstration bill in 1966. He is uniquely qualified to make comment on this important legislation that you are studying, Mr. Chairman. Not only

does he have a rich experience in governmental service, he is also a professor of sociology at Wittenberg University in that same city.

Accompanying him this afternoon is the city manager of the city of Springfield, Mr. J. L. Caplinger. These gentlemen, Mr. Chairman, come from my State, and they have exhibited in their governmental offices and in their private undertakings a growing concern for this legislation on the Federal level to assist them to plan more comprehensively and demonstrate more effectively their ideas as to how America is going to improve the community life of its cities.

You know, we in Ohio are very proud that Springfield, Ohio, was the publishing capital of the United States. I think at one time it had that distinction.

There has been some urban decay in this city in southwest Ohio. There is a tremendous need for urban renewal and revitalization in the economy of the entire area.

This city, Mr. Chairman, is a city of approximately 85,000 people in the inner city with a metropolitan population of approximately 135,000 people. They have a very, very limited financial capacity to afford the high cost of renewal.

In representing the State of Ohio at large, I know of no city in my State that needs to be assisted by both State and Federal Governments than their city. I am proud to present at this time Mr. Hertz and Mayor Caplinger for comment concerning H.R. 12341.

Mr. Hertz.

STATEMENT OF KARL HERTZ, CITY COMMISSIONER OF SPRINGFIELD, OHIO

Mr. HERTZ. Mr. Chairman and members of the committee, I am Karl Hertz. First, I want to express my very deep appreciation for the opportunity to appear before this distinguished committee and my deep thanks to Mr. Sweeney for arranging the opportunity to testify on legislation which can have far-reaching significance for the future of my community and for many others like it.

Springfield is an old city. It is a part of the original frontier of the old Northwest Territory. Gen. George Rogers Clark campaigned through our valley. We have a park named in his honor.

We are an old industrial city. We were once national leaders in the production of farm machinery. We are still the home of a major plant of the International Harvester Corp. Our people, especially some of our old, established families have been and still are conservative. They are very hesitant about accepting Federal funding to solve their problems.

We once also were, as Congressman Sweeney has pointed out, the publishing center of the world—the home of Collier's family of magazines.

We must and we strongly desire to recapture our economic vitality and potential. Our leading citizens have organized just recently as a committee for community action now. They are ready and willing to accept Federal funding, they have told us this as the governing body of the city of Springfield, Ohio.

We have their support, we have the support of our county commission, we have the support of the press. We want to move. But we face a number of interrelated and deeply disturbing problems.

We have a decayed downtown with many empty stores and thus a decaying tax base in the central business district. We have large areas of substandard housing with narrow streets, leading to serious overcrowding and traffic congestion. We have poverty pockets, both Negro and Appalachian whites.

We have had considerable social unrest, especially among our Negro youth, and except for the very fine leadership of the Springfield Urban League, of our city manager and of the very fine police department that we have, we would have had violence during the past summer. We have averted this.

We are thus in some respects not in a good position to attract the business and industry we need. But we do not have the tax base that we need, although we are going to ask our citizens for increased taxes. Ohio tax laws and the Ohio constitution limit our bonded indebtedness and our taxing capacity. We want and need help. We need, in fact, a total renewal. We hope for a genuine Springfield renaissance. But to do this we need financial assistance of a volume that will do the job. We see in the proposed demonstration city legislation the kind of hope that we need that we can once again be the kind of city we once were.

I might point out that Springfield's past prosperity was based actually on Federal help. The national road authorized by the Congress of the United States, better than a century ago, contributed to our early prosperity. We hope that this present legislation will once again recapture our prosperity.

If the Congress of the United States wants to find a middle-sized city that was once preeminent, where it can demonstrate that such a city can come back to a position of leadership, we believe that Springfield is eminently qualified to be such a city.

We are eager, we are united, we are already planning and Mr. Caplinger, the city manager, will tell you of some of the plans we are making. We hope very strongly that the Congress will pass this far-reaching legislation for demonstration cities.

I thank the committee once again for this opportunity to appear here.

Mr. BARRETT. Mr. Norman, do you want to make a statement?

Mr. CAPLINGER. I will make the statement.

STATEMENT OF JAMES L. CAPLINGER, CITY MANAGER, SPRINGFIELD, OHIO

Honorable Chairman and members of the subcommittee, I am James L. Caplinger and I desire to make a statement with leave of the subcommittee.

I would like to point out that I have with me, in addition to the city commissioner, Dr. Karl Hertz, Mr. Harry Norman who is the urban renewal director of Springfield, Ohio.

As a preliminary remark I would like to echo the words of Dr. Hertz in thanking, and expressing our deep gratitude to, this subcommittee for making this opportunity available for us to testify.

We appreciate it very deeply.

Also, Congressman Sweeney's assistance in inviting us to Washington is appreciated.

Springfield, Ohio, is located equal distance between Dayton, Ohio, and Columbus, Ohio. Therefore, we are in a metropolitan area.

Springfield is an area where town does in fact meet country. We are located in a rich, agricultural area. But, our area is also a growing industrial center, and our industry in the city has now expanded into the area beyond our corporate limits into the county.

Springfield is an old city, having been settled long before the Civil War. We early became an industrial center, the publishing center of the world and a leading producer of farm machinery. But these are days gone by because we are not noted today for either publishing or farm machinery.

Now, there has been great industrial growth in Springfield. We are one of the homes of International Harvester Co., lightweight trucks, Steel Products Engineering Co., a division of Kelsey-Hayes and Bauer Bros., all three companies having expanded recently. But the closing of some of our major concerns and the attendant problems which have been created by empty buildings and decaying buildings in the heart of our city has created blight in our surrounding neighborhood.

This has damaged the morale of our people and has caused decline in our tax base. This has had a damaging effect upon our entire community.

In other words, I think that we might say that antiquity is setting in in many of our neighborhoods and areas in our city. Obviously this has harmful effects on our residential areas.

In conjunction with this, the downtown core area has decayed. It has decayed to such an extent that unless there is massive expenditure of money in the downtown area, our central area has decayed beyond reclamation.

This massive spending is in fact beyond the capabilities of our city.

Now, Springfield, like most cities, has traditionally been what we might term a housekeeper government. We have maintained the peace, we have put out fires, we have sold water, we have provided sewer service, and we have maintained the streets. Since antiquity has set in in our industrial areas, in our downtown, and in our residential areas, our physical setting is not attractive, and this among other factors has created social problems.

In an attempt to reverse this trend downward, our city has come up with a new spirit of progressive desires, I think, in government and among our citizens. Our people now have an air of optimism about the future, and our government in Springfield has started to change its thrust from that of a housekeeper to a person-centered approach. We are not just maintaining the peace and maintaining streets, but we are looking at people, and the needs of people in trying to help them create what we might call the good life.

Therefore, we have turned our attention to urban renewal. We have turned our attention to the Economic Opportunity Act of 1964. We have turned our attention to our health department and have improved it in an attempt to try to assure that each citizen will have at least minimal health care for his family.

We have entered into a rather large demolition project without Federal funds in order to remove some of our slums and to provide better housing for our citizens.

We have established a human relations committee to work with the problems of minority groups. We have established a recreation department to help our people use their leisure time.

Therefore, I think it fair to say that we are now moving in the directions which are envisioned in the proposed new legislation.

The problem is, that there are not adequate finances in our city to undertake all of the projects by ourselves which need to be done in our city. In fact, there are not even sufficient funds to engage in the kind of real planning which is necessary just to coordinate, administer, and direct those efforts that we have already undertaken which I described above.

The demonstration city legislation, if passed, would enable us to get on with this job and in fact to do a better job of what we have undertaken.

Now, our budget in Springfield is already stretched almost to the breaking point. We have found it necessary to make rather sizable salary adjustments of our city personnel. We find it necessary in this day and age to attract not just people who want to work for the city, but first-rate personnel, because we are dealing with large and complex problems. We are not just maintaining our housekeeping government as we have in the past. We need first-rate people. Therefore, our budget has been stretched.

We are beset with problems now, but I envision, as I look ahead, that by the end of the century there will be a huge regional city reaching from Columbus, Ohio, through Springfield, Ohio, to Dayton, Ohio, and perhaps even south to Cincinnati.

If proper planning is not done now, even more problems will be faced in this regional city of the future than what we face now. But, if we plan properly now, and the demonstration city legislation would help us to do this, we can, I think, become a model city. We can solve our existing problems, and we can plan to meet these future problems before they arise.

To do this planning one of two things is needed. Either we must have the ability to tax as a local government at a more realistic level, and I frankly don't see that in the picture under our State constitution, or, we must have massive Federal aid as is proposed in the demonstration cities legislation.

Now, if Springfield, Ohio, can become a demonstration city, we have many positive factors which I feel will work together to make the project succeed in Springfield, which is a city having a population of slightly less than 100,000.

In conclusion, let me run over a few of these positive factors which I see in our city.

First of all, we have a new vocational school which will work with the youth of our community at the high school level, training them to go into the labor force with skills.

We have a proposed new technical institute on the junior college level which will train our people who do not desire a full college education but who want to go beyond the high school level, and which will qualify them to enter the labor market with advanced skills.

We are so fortunate in having Wittenberg University which is a liberal arts university dedicated strongly to the principle of helping Springfield in our midst. Springfield in fact sits in the center of a higher education complex.

We have in Springfield a city government which is efficient, but which is willing to streamline itself, reorganize itself, and do what is necessary to progress in step with the 20th century.

As Dr. Hertz mentioned, we have a citizen's committee which is ready to work with government to move to meet these pressing problems. Not the least of our positive factors is the air of optimism which pervades our community at this point.

I might point out that the Rockefeller Foundation has recently, or about a year ago, made a grant to the National Urban League which has established leadership development projects in 10 cities throughout the Nation to develop Negro leadership. Springfield is 1 of 10 cities in the country participating in this program.

We have a very active urban renewal committee which makes our urban renewal planning more realistic. We are fortunate in that we have complete cooperation between county and city in our planning efforts. We have a regional planning commission.

We have undertaken the making of a transportation plan to attack the problems of transportation in our community. We have, as I said before, taken advantage of the Economic Opportunity Act of 1964. We have cooperation between city and county governments and between our governments and school organizations. We have many active community organizations in our city. There are efforts presently being undertaken in Springfield to improve our existing social welfare agencies. We have attention being given to proper hospitalization in Springfield. We in government have taken an in-depth approach to the relocation of minority families in our urban renewal areas, and we have strong assistance and strong support in these efforts by our local real estate board which is a noteworthy accomplishment, I think. We have efforts being taken to improve our public school system and last, but certainly not least, we have one public housing project in existence which is beautifully designed and is filled with people. It consists of 210 units. We have two more planned public housing projects for our city, one regular and one for the elderly.

Therefore, I would summarize by merely saying this: We in Springfield and we in Springfield's government are willing to attack these problems. We are going to face them regardless of what happens. We may succeed in solving the problems, but we will stand a much better chance with massive Federal assistance with the kind of guidelines envisioned in this legislation rather than with specific requirements.

I thank you for the opportunity to appear before the subcommittee. I thank you for making it possible for us to be here.

I would point out that Dr. Hertz, I, or Mr. Norman would be happy to entertain any questions that the committee might have.

Mr. BARRETT. Well, thank you, gentlemen. I have no questions because your statement is very complete and fully explanatory. Your views will help us when we mark up the bill and we will certainly try to give cities such as yours the legislation they need. Mr. Harvey?

Mr. HARVEY. Thank you, Mr. Chairman. I just have one question here and I am not sure whom I should direct it to. Maybe the city manager can best answer it.

It is the same question I have asked all the other managers and mayors who have been here.

Can you tell me what the needs of Springfield are in terms of dollars?

Mr. CAPLINGER. I think we can answer that question. I would like to have Mr. Norman, our urban renewal director, respond to it if that would be acceptable, Mr. Chairman.

Mr. HARVEY. Can you very succinctly—you may not be prepared at this time to give a specific answer. Are you talking about $100 million? Is it $1 million or $2 million or what sort of figure, so that we have a round number of figures of what we are talking about. One of the problems of this subcommittee and the administration is going to be the sort of overall program we are talking about across the country. There are some 700 cities across the country and I know all of them have an interest in being a demonstration city. Actually 70 are going to be selected. The top 70 will be selected, maybe. We have to establish an overall figure. So I am interested in what a city the size of Springfield, in your judgment, would need.

Mr. NORMAN. Within the scope of the message, we would say between $30 million and $40 million.

Mr. HARVEY. Thank you very much. I have no further questions.

Mr. BARRETT. Thank you, Mr. Harvey.

All time has expired.

Gentlemen, we are certainly pleased to have had your testimony this afternoon. You make a very splendid presentation.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 3 p.m., the subcommittee adjourned, to reconvene at 10 a.m., Friday, March 11, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

FRIDAY, MARCH 11, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Widnall, Mrs. Dwyer, and Harvey.

Mr. BARRETT. The committee will come to order.

Our first witness will be Dr. Harvey Renger, Hallettsville, Tex., representing the American Medical Association.

Doctor, I want to tell you that we are very much pleased to have you here this morning. Of course, we are desirous of making you feel as much at home as we possibly can—you and your associate, Mr. Harrison, and if you desire to complete your testimony you may do so and we may ask you one or two questions after you have completed your testimony. We will abide by whatever is suitable to you.

Dr. RENGER. Thank you, sir.

Mr. BARRETT. You may start your testimony.

STATEMENT OF HARVEY RENGER, M.D., REPRESENTING THE AMERICAN MEDICAL ASSOCIATION; ACCOMPANIED BY BERNARD P. HARRISON, DIRECTOR OF THE AMERICAN MEDICAL ASSOCIATION DEPARTMENT ON LEGISLATION

Dr. RENGER. Mr. Chairman and members of the subcommittee, I am Dr. Harvey Renger, a physician practicing in Hallettsville, Tex. I am appearing today on behalf of the American Medical Association, which I serve as a member of the AMA Council on Legislative Activities. With me is Mr. Bernard P. Harrison, director of the AMA Department of Legislation.

As we understand it, H.R. 9256 would amend the National Housing Act to provide mortgage insurance or direct loans to a "group practice unit or organization" for the construction of new structures, the acquisition of existing structures and the expansion, remodeling, and improvement of same, as well as the cost of equipping any such facilities.

The term "group practice unit or organization" is defined in section 1007(4). While this bill provides a wide latitude as to the groups for which mortgages may be insured or to which loans may be given, the bill establishes the priorities of such parties, and provides discretionary power to the Federal Housing Commissioner and the Housing and Home Finance Administrator to determine additional priorities as they may deem appropriate.

H.R. 9256 is basically similar to H.R. 2987, 89th Congress, upon which the AMA testified before the House Interstate and Foreign Commerce Committee in March 1965. Our objections to H.R. 2987 went to the substance of the bill. While we believe that this proposal, concerning itself as it does with mortgage insurance and direct loans, is more appropriately before this committee, we find that there has not been sufficient change in the legislation or in the circumstances on which our objections were based to warrant a change in our position. Accordingly, not persuaded that this legislation is advisable or necessary, we appear here today to again voice our opposition.

At the outset it should be clearly understood that the American Medical Association does not oppose group practice by physicians. It is recognized that such practices may afford some advantages to both the physician and the patient, and that the number of group practices is constantly increasing. It should be also recognized, however, that this type of practice is neither feasible nor desirable for all of the physicians of our Nation.

Since there are different types of group practices, we should keep before us the intent of this bill with respect to the type of group practice which it would foster. It is our opinion that H.R. 9256 is designed primarily to provide for the construction of prepaid closed-panel group practices. I will speak more to this point, shortly.

Our reasons for objecting to the measure pending before this committee may be briefly categorized. First, physicians do not have difficulty in obtaining conventional loans. Second the number of group practices is increasing without Federal financing. Third, direct loans by the Federal Government are unwarranted. And fourth, the bill is discriminatory in the priorities granted to applicants.

PHYSICIANS ENJOY GOOD CREDIT STANDING

Physicians enjoy a high credit standing in their community. It is generally recognized that the physician has a high potential earning capacity. That this potential is usually realized may be seen from surveys which have compared the M.D. to other professions or to the businessman and have found the physician to be at the top of the earnings or net income ladder. And when a physician participates in a partnership or in a group practice, his personal income tends to be still greater. As far as we know, there has been nothing shown which would indicate that physicians require any special or unconventional form of assistance when financing the construction of their offices or the equipping of them.

THE NUMBER OF GROUP PRACTICES IS INCREASING

One might suppose from the emphasis stemming from the bill that a need for group practice is not being met. The implication is there—that growth in group practice is being stifled and that special assistance is needed. This is not so.

Three surveys with respect to group practice are significant. In 1946 a survey conducted by the Public Health Service, with the cooperation of the AMA, revealed the existence of only 368 group practices. A second survey conducted by the PHS in 1959–60, in which the AMA closely cooperated, showed there were 1,546 group practices.

In earlier testimony before this committee, on March 1, the Under Secretary of the Department of Health, Education, and Welfare stated that "today, group practices number nearly 2,000." Unfortunately Mr. Cohen did not have the benefit of our latest survey. Just last year, the AMA undertook a direct mail inquiry of all physicians. Responses show that there are now 5,450 group practices with approximately 26,000 physicians participating in such groups.

This remarkable growth of group practices, an increase of 350 percent in 5 years, has taken place without Federal subsidization.

DIRECT LOANS UNWARRANTED

Title II of H.R. 9256 would authorize the Housing and Home Finance Administrator to make loans to any group practice units or organizations to assist in financing the construction cost of group practice facilities. We see no justification for this provision. We have already shown that physicians, perhaps more so than any other group, are able to obtain financing, through usual channels, to meet the cost of constructing facilities.

H.R. 9256 is not primarily concerned with physician owned and operated group practices, but is intended to provide preferential assistance to prepaid closed panel group practices, particularly those which may be established by agencies or organizations. We see no justification for such priority.

DISCRIMINATORY PREFERENCES

Our fourth reason for opposing certain provisions of H.R. 9256 concerns the discriminatory nature of this bill as evidenced by the priorities established. In this respect let us examine pertinent provisions of the bill.

H.R. 9256 provides that mortgages may be insured or loans given to the following (sec. 1007(a)):

(A) A private agency or organization (including a medical or dental group) undertaking to provide, directly or through arrangements with a medical or dental group, comprehensive medical care or dental care, or both which may include hospitalization, to members or subscribers primarily on a group practice prepayment basis;

(B) A public or private nonprofit agency or organization established for the purpose of improving the availability of medical or dental care in the community or having some function or functions related to the provision of such care, which will, through lease or other arrangement, make the group practice facility with respect to which assistance has been requested under this title available to a medical or dental group for use by it; or

(C) A medical or dental group.

The bill requires certain priorities. Section 302(a) requires the Federal Housing Commissioner and the Housing and Home Finance Administrator to establish jointly criteria determining priorities in insuring mortgages and making loans—

which criteria shall give preference in the case of applications involving facilities to be located in smaller communities and in the case of applications of agencies or organizations described in subparagraph (A) or (B) of section 1007(4) of the National Housing Act which are public or nonprofit organizations as defined in section 1007(5) of such Act, and in such other cases as they may deem appropriate and consistent with the purpose of this Act.

It may be seen from the foregoing excerpt that it is not the medical or dental groups of subparagraph (c) which are intended to be benefited by H.R. 9256, but the agencies or organizations which undertake to provide medical care to members or subscribers primarily on a group practice prepayment basis. Thus the question is not simply whether mortgages should be insured for, or loans given to, "group practices" but whether preference for such loans should be given to corporations, associations, trusts, or other organizations which undertake to make available medical care.

During the fourth day of hearings by the Interstate and Foreign Commerce Committee, its chairman, Congressman Oren Harris, who had introduced H.R. 2987 containing substantially similar priorities, stated (p. 321, hearings, Mar. 2, 3, 4, and 5, 1965, on H.R. 2987):

> We might as well acknowledge the issue involved here. We have been talking around the fringes of it and arguing about whether the funds are available, with most of my colleagues thinking it was primarily for medical groups to get together and organize a group practice facility. In my judgment, this program is not primarily intended for that kind of clinic. I think the facts here are that those who are sponsoring and proposing this are doing so on the basis of organizing and expanding the prepayment type of clinical and medical treatment program, and to operate it on that basis.

On another point, Mr. Harris said:

> This is a program to permit certain groups, private groups or organizations, to go out and organize this kind of a program. This committee and the Congress will have to decide whether we want to put up funds from the Federal Government to establish this kind of a program. That is the way I see it.

I quote further from Congressman Harris:

> The purpose of this legislation is to promote a group-type, prepayment-plan program in order that it can be organized and put into effect in certain of these congested or highly populated areas.

We believe that a system of medical care provided through prepaid closed panel clinics should not be subsidized by the Federal Government. We believe that this legislation is unnecessary.

In closing we would again emphasize that this legislation is discriminatory, designed to promote a system of furnishing medical care through closed panel prepayment group health plans; that it is unnecessary in view of the rapidly increasing number of group practices being formed without Federal legislation; that direct loans are unwarranted; and that physicians enjoy excellent credit standing in their communities and need no special assistance in financing the construction of office facilities.

We urge you to reject this legislation.

Mr. Chairman, the American Medical Association is grateful for this opportunity to present its views on this bill. We hope that our comments will be helpful to the committee, and we will be pleased to attempt to answer any questions which may be asked.

Mr. BARRETT. Thank you, Dr. Renger.

I gather from your statement that your organization feels that the group medical practices bill is unnecessary because private financing for such facilities is available in a conventional mortgage market. Now, there may be others who may disagree with your organization, but I would like your reaction to this. What if this subcommittee were to discard the standby direct loan authorization and were to authorize only FHA insurance loans whenever a private lender is able to make

the loan on an insured basis? Participation would thus be voluntary and there would be no cost or burden to the Treasury. If we can confine this bill to insured loans would your opposition be lessened?

Dr. RENGER. With your permission, I would like for Mr. Harrison to answer that.

Mr. HARRISON. Mr. Chairman, if the bill were confined to mortgage insurance and it contained no priorities and no direct loan provisions—and I don't know whether you indicated that in your comment or not—I don't believe we would be in here opposing the bill. We may still continue to believe that, generally speaking, physicians are well able to handle financing through conventional means. But certainly, our opposition to the bill would be greatly reduced, and while we might not find a mechanism to support the measure as such, I believe we would not be in here opposing this bill, if both those provisions were deleted.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Dr. Renger, as I understand your testimony, at the present time, what you are saying is that the American Medical Association sees no need for this legislation period, is that not right?

Dr. RENGER. That is right.

Mr. HARVEY. Let me ask you personally. Do you know of your own knowledge or have you heard of any physicians, young or old, who have had any difficulty whatsoever financing clinics to conduct a group practice whatsoever?

Let me ask further, has that ever been discussed in the American Medical Association as one of the problems facing physicians, young or old today?

Dr. RENGER. I don't know whether it has been discussed on a national level. I know it has been discussed on a State level. To my knowledge there hasn't been any need at all, because most young physicians, particularly if they get in a group, have a high potential which is recognized by most of the banking concerns; they certainly don't have any trouble getting loans.

Mr. HARVEY. That certainly has been my impression in the State of Michigan where I come from, that physicians' credit or dentists' credit is A–1. Frankly, they have been able to walk into our banks and savings and loans the day after graduation from medical school and finance their entire operation if they needed it.

I also remember, Dr. Renger, I heard the testimony of Dr. Appel and the other officers of the American Medical Association at that time. I also heard the officers of the American Dental Association testify on this bill and one statement that the representatives of the Dental Association had to say, was that even these loans would not, in his judgment, induce dentists to go into remote areas in the country to practice where they otherwise would not want to practice. Is that, in your judgment, a correct statement?

Dr. RENGER. I think that is right. That has been proven, particularly in my own State of Texas. Such loans are certainly not an incentive for groups to move into a small rural area where work is not available for a group larger than three.

Mr. HARVEY. What you are saying so that I understand you correctly is that if this bill were enacted as it is, those who would take advantage of it would not be the physicians or the dentists, but would

be those who desire to foster the prepaid medical plan, is that about the size of it?

Dr. RENGER. We are afraid there is a possibility that with this type bill, organizations might control the care that a patient receives medically and it might be detrimental to that patient.

Mr. HARVEY. In other words, what you are saying is, it would not be the same as if the doctors themselves were asserting that control and dictating how that patient would be taken care of?

Dr. RENGER. That is right.

Mr. HARVEY. Your organization would foster the group prepayment payment plan for the ones dictating it? That is why you are averse to this particular program?

Dr. RENGER. That is exactly right.

Mr. HARVEY. Let me ask you this other question. Do you think in your testimony that there should be some sort of limit on the amount of support that would be available to any one group if such a bill as this is enacted?

Dr. RENGER. I certainly think that would be a good precautionary move. I would agree with that.

Mr. HARVEY. Let me ask you further, in your understanding, the provisions of this bill would include financing, not only for the building itself, but would include financing for all the equipment that goes into the building?

Dr. RENGER. That is right.

Mr. HARVEY. Now, this equipment could be very expensive, is that correct?

Dr. RENGER. Yes; it could be so expensive, and one could just keep cascading it to a point where it wouldn't even be a profitable situation. In other words, suppose you went into an area where there wasn't enough demand for a heart-lung machine. You could even buy one of those and set it up, and you could spend tremendous sums of money without any need for it.

Mr. HARVEY. Could you give us any idea, for example, just in round numbers or figures, what we are talking about to equip, say a four-doctor clinic, just as an example?

Dr. RENGER. May I use my own personal reference?

Mr. HARVEY. Yes.

Dr. RENGER. I operate a five-group clinic.

Mr. HARVEY. Five men, you mean?

Dr. RENGER. Yes; a five-man clinic in the community of Hallettsville, which has a population of 3,000 people. The total cost of my clinic was around $85,000, including the building and the equipment.

Mr. HARVEY. This was purchased when, Doctor?

Dr. RENGER. I have been in practice a long time. It is over the years. We have had to discard some of the equipment and buy new equipment, but it is set up on an $85,000 inventory.

Mr. HARVEY. The $85,000 that you are referring to would be the cost to a group of doctors performing those same services, purchasing the same equipment today?

Dr. RENGER. I think it could easily be replaced today for a hundred thousand dollars.

Mr. HARVEY. $100,000?

Dr. RENGER. Yes.

Mr. BARRETT. Will the gentleman yield?

Doctor, on this point, are you including land and structures?

Dr. RENGER. That's an overall amount. It is a wooden frame building, modernistically designed.

Mr. BARRETT. Wooden frame?

Dr. RENGER. Yes.

Mr. HARVEY. But you have five doctors in that building?

Dr. RENGER. That's right.

Mr. HARVEY. I gather, Doctor, and maybe I should address this to Mr. Harrison, although you are here today opposing the bill in its entirety, that you feel if this committee is to enact the bill, under any circumstances we should at least strike that provision dealing with these direct loans?

Mr. HARRISON. One other provision, Mr. Harvey. We seriously believe and strongly urge that the provision with respect to priorities also be stricken.

Mr. HARVEY. Those two provisions?

Mr. HARRISON. Yes, sir.

Mr. HARVEY. Thank you very much and we certainly appreciate hearing from you.

Once again, even though this is before a different committee, I sat on it last time and heard Dr. Appel, I think it is a fine thing that your organization would come in to give us your testimony.

I have no further questions.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman. My colleague has asked all the questions I wanted to ask.

Mr. BARRETT. Mrs. Dwyer?

Mrs. DWYER. No questions.

Mr. BARRETT. We appreciate your coming and thank you for your statement this morning and the committee will certainly give it consideration along with the other testimony.

Dr. RENGER. Thank you.

Mr. HARRISON. Thank you, Mr. Chairman, for permitting us to be here.

Mr. BARRETT. Before we call the next witnesses I would like to put this in the record. I would like to insert a statement on H.R. 9256 from Mr. Kenneth Williamson, associate director, American Hospital Association.

(The letter referred to follows:)

AMERICAN HOSPITAL ASSOCIATION,
Washington, D.C., March 7, 1966.

Hon. WRIGHT PATMAN,
Chairman, Housing Subcommittee of the Committee on Banking and Currency, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN PATMAN: This statement is sent to you to express the views of the American Hospital Association in respect to H.R. 9256, a bill to amend the National Housing Act to provide mortgage insurance and authorize direct loans by the Department of Housing and Urban Development to provide financial assistance for constructing and equipping facilities for the group practice of medicine or dentistry. We wish to make clear that this association looks upon the group practice of medicine or dentistry as a desirable means of providing such service to the public. We do, however, have real concern with respect to certain of the provisions embodied in H.R. 9256.

The bill provides for the Federal Government to participate in financing the construction of group practice facilities operated as proprietary endeavors. In

essence, therefore, it provides for Federal Government participation in financing physicians' offices. We know of no justification for the Federal Government to undertake assistance for construction of physicians' offices and believe that the normal channels of private financing should meet adequately the need for such proprietary facilities.

The program of the Small Business Administration does provide short-term loans for such proprietary facilities at what amounts to regular commercial interest rates. To the extent that any Federal Government assistance is needed for the provision of proprietary group practice facilities, this program should meet that need.

Assistance by the Federal Government limited to nonprofit group health facilities may well have merit. In this regard, however, we believe it is most essential that the legislation be amended so as to assure that major diagnostic facilities developed in connection with group-practice endeavors do not duplicate unnecessarily such facilities which are already available in community hospitals. The Federal Government has assisted in the provision of essential major diagnostic facilities in hospitals through the Hill-Burton and Hill-Harris programs. We believe it would be unwise and wasteful for the Federal Government to participate in duplication of such facilities as may be possible under the present provisions of H.R. 9256.

The shortages of health personnel are at present so acute that we believe it is incumbent upon the Federal Government and all others concerned with the development of health care programs to insure the most economic use of health personnel. Any unnecessary duplication of major diagnostic facilities will tend to further aggravate the shortages of critically needed health personnel. Although the bill does provide that the Commissioner shall consult with the Surgeon General before prescribing regulations, we feel that the possibilities of wasteful duplication in this program are so great that they should be guarded against by statute.

We would appreciate your making this letter a part of the record of the hearings on this bill.

Sincerely yours,

KENNETH WILLIAMSON,
Associate Director.

Mr. BARRETT. The next witness this morning will be Dr. John B. Wilson, chairman, Council on Legislation, representing the American Dental Association.

Dr. Wilson, we are glad to have you and your associate here this morning. I would like to extend to you the same courtesies that we have all the other witnesses and we do hope that you will feel at home here. I was wondering if you would be kind enough, before you start your statement to introduce your associate for the record.

Dr. WILSON. I have it in the statement.

Mr. BARRETT. If you wish to complete your statement first you may do so and then we may ask you one or two questions at the end of your statement. If that is agreeable you may proceed.

STATEMENT OF DR. JOHN B. WILSON, CHAIRMAN, COUNCIL ON LEGISLATION, REPRESENTING THE AMERICAN DENTAL ASSOCIATION; ACCOMPANIED BY B. J. CONWAY, CHIEF LEGAL OFFICER, AMERICAN DENTAL ASSOCIATION

Dr. WILSON. Mr. Chairman and members of the committee, my name is Dr. John B. Wilson of San Marino, Calif. In addition to maintaining a dental practice, I am chairman of the Council on Legislation of the American Dental Association. I am here today representing that organization. With me is Mr. Bernard J. Conway, chief legal officer of the association. We are grateful for this opportunity to appear and present the views of the dental profession on this matter.

The American Dental Association is strongly opposed to H.R. 9256. We would like to make it quite clear at the outset, however, that our opposition in no way means we are opposed to the establishment of group practice or to the extension of this mode of practice. We have long recognized it as one of a number of excellent forms of practice and indeed believe that in some circumstances it may well be the most desirable alternative.

We are, nonetheless, opposed to H.R. 9256 because we consider it to be professionally undesirable as well as unnecessary. We understand and sympathize with the sincere motives of those who support this measure but careful consideration leads us to the belief that it would not in fact achieve its stated purpose and might well prove a deterrent to the high quality of dental and medical practice in the United States.

There are two distinct categories of group practice facilities treated in H.R. 9256. One is a facility owned by a medical or dental practice team organized by the professional practitioners themselves to provide care on a fee for service basis in the same way the physician or dentist in individual private practice offers his services to the public. The second category of group practice facility is, typically, established by a group of nonprofessionals for the purpose of providing care to subscribers or to members of the establishing group. The lay group, organized as a consumer cooperative or nonprofit prepayment plan, hires physicians or dentists or both on a salary basis. The health professions associations commonly refer to this second category of group practice facility as a closed panel practice or clinic.

H.R. 9256 is designed to encourage establishment of facilities for large, group medical and dental practices. Beyond that, it specifically gives priority to such practices "in smaller communities or those sponsored by cooperative or other nonprofit organizations." The association's objections here are twofold. First of all, we do not believe the Federal Government should, as a matter of public policy, prefer one mode of professional practice over other traditional and efficient alternatives. In this bill the preference is for group practice over small partnerships and individual practices; our objection, however, is to the obvious discrimination and would remain even were the preferences to be reversed. Secondly, it is our conviction that in establishing priority for group practices "sponsored by cooperative or other nonprofit organizations," H.R. 9256 obviously is intended to spur the establishment of nonprofessionally owned and controlled closed panel practices. It is our conviction that the proliferation of such facilities would tend to lower the quality of health care in the Nation.

While these professional objections are enough to persuade us that H.R. 9256 is not an appropriate proposal, there are additional objections of a more pragmatic nature.

As far as we are able to tell, there is no evidence of lack of loan resources for construction of dental and medical practice facilities, be it group practice or some other form. This conclusion is supported by the public testimony gathered during hearings on this subject last year by another distinguished committee of the House. Loans from private lending institutions are available to take care of most of the practice facility needs of the dental profession. Where private sources are not available, the dentist or physician, singly or in groups, can, like any other small business owner, apply to the Small Business Administration for assistance.

The Small Business Administration is, in the association's opinion, performing a useful service in providing resources for dentists and physicians where private lenders alone are unable to do so. The association is convinced that H.R. 9256 would not only duplicate in great part the very effective program of the Small Business Administration but its passage might well block access of this program for dentists and physicians. We say this since it is our understanding that the law under which the Small Business Administration loan program is administered specifies that such loans will not be available to persons or entities which are eligible for other Federal loan programs. Thus, a private dentist or group of dentists may well find the Small Business Administration closed to him and be forced to apply to a program so designed that it automatically gives him less than equal status with other applicants.

The American Dental Association believes that any objective study of the resources available for construction of medical and dental practice facilities will reveal no need for additional Federal loan support at this time. Even if it could be shown—which it hasn't been to date—that some few types of practices are not able to obtain adequate financing, the most likely and practical remedy to be explored is amendment of the existing Small Business Administration program.

In connection with this question of availability of resources, we note that a witness who appeared before you on an earlier day during these hearings implied that documentation for the lack of appropriate resources can be found on pages 313–317 of the hearings held last year by the Interstate and Foreign Commerce Committee. We join in the suggestion that you read those pages but must disagree as to what they document. Pages 313–317 contain statements from eight group practice organizations concerning their attempts at securing financing. In one instance, the organization abandoned its search for a loan because of other problems that occurred. In every one of the remaining seven instances, the organization in question was, in fact, successful in securing a loan. This, then, hardly seems to me to be documentation of anything but the fact that resources are available, though not every loan applicant is necessarily going to receive as much as he wants or at terms as favorable as he might wish.

Finally, the association must most respectfully disagree with those who contend that this program, if enacted, would induce physicians and dentists to locate in areas where there is now a shortage of practitioners. The problem is considerably more complicated than this would make it seem. The United States over the years has changed from an agricultural to an urban society. Most of our people now live in metropolitan areas. Students of medicine and dentistry are in the main drawn from these areas and upon graduation generally tend to return either to their homes or to a similar place. It is not only because the most modern health facilities are available in metropolitan areas—though that certainly is an important factor—but also because the person finds life in a metropolitan area the kind of life with which he is familiar and wants for himself and his family. It is, in our opinion, most unrealistic to think that this state of affairs would change in any substantial way by enactment of the program envisioned by H.R. 9256. Every bit of available vidence indicates that it wouldn't. In fact, we are aware of instances in which small communities have

been unable to secure physicians and dentists even when practice facilities are available without cost to the practitioner.

It is our belief that much more appropriate measures to meet this situation are available to Congress and the Executive. One in dentistry, for example, would be increased support for the grants-in-aid to States for dental health projects so that mobile dental units could be purchased and other similar measures taken to bring dental care to people in sparsely populated areas.

These, then, are our professional and practical objections to H.R. 9256. While, as I have said, we have the utmost respect for the sincerity of those who support this measure, we are convinced that careful analysis shows the bill to be impractical and discriminatory.

Mr. Chairman, on behalf of the American Dental Association, I want to thank this committee for hearing us. Mr. Conway and I would be glad at this time to attempt to answer any questions.

Mr. BARRETT. Thank you, Dr. Wilson.

Your opposition to the bill, then, is very much in order with the opposition of the previous witness?

Dr. WILSON. That's right.

Mr. BARRETT. I would like to ask you the same question in part that I asked Dr. Renger.

What if the subcommitte were to discard the standby direct loan authorization and were to authorize only the FHA-insured loans whenever a private lender is willing to make a loan on an insured basis? What would your reaction to this be where there would be no burden on the Treasury whatsoever? Do you think your organization would be less interested in opposing the bill if that were to be added?

Dr. WILSON. As stated before, we feel that the priority must be eliminated from the bill and as we stated in our presentation here today, we feel that funds are available and it is not necessary for the physicians and dentists to have insured moneys in addition to that now provided by the Small Business Administration.

Mr. BARRETT. Mr. Harvey? Mrs. Dwyer.

Mrs. DWYER. Dr. Wilson, what would you say would be the cost of equipping a dental clinic as this bill envisions it?

Dr. WILSON. I would estimate the going prices in the area that I live, and I cannot speak for the east coast, of course, but it is approximately $20,000 for each dentist's operatory.

Mrs. DWYER. What would be the cost for the country, do you have any evaluation?

Dr. WILSON. I am not an authority on this, but I do not believe it would be much different across the country.

Mrs. DWYER. One more question. Do you know how many SBA loans have been made to physicians or dentists or groups of physicians or dentists?

Dr. WILSON. I do not have that figure in my mind, but I am sure, Mrs. Dwyer, Mr. Conway can answer that.

Mr. CONWAY. We don't have the exact figures and it is just my recollection, and it is off the top of my head, approximately $3 million to $4 million has been made available to dentists seeking such loans.

(The following was furnished the committee:)

The Small Business Administration indicates that there have been 410 loans to dentists aggregating $6,130,000 since the beginning of the program in 1953.

Mr. CONWAY. I would like to make one comment on Dr. Wilson's previous answer to the chairman's question.

I think our position generally on that question would be similar, if not identical to the American Medical Association. We would have no objection to insured loan programs. We have had no objection to the Small Business Administration program, but as Dr. Wilson pointed out, our chief objection to this bill is the priorities and discrimination that is involved.

Mrs. DWYER. That will be all, Mr. Chairman.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. I was going to ask Dr. Wilson about the priority plan that is in the bill. But I think you both answered that question well. Thank you.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Dr. Wilson, or maybe I should direct this to Mr. Conway, I am not sure. Do you know of any instances where dentists have been denied the opportunity to practice as a group because they were unable to finance their building or facilities?

Dr. WILSON. I do not, Mr. Harvey. In my area, as has been stated before, it is quite simple for a professional man to obtain the moneys necessary to build this type of practice.

Mr. HARVEY. Where is your area?

Dr. WILSON. Southern California, next to Pasadena. In fact, I have built a medical center myself, so I am quite familiar with the costs.

Mr. HARVEY. How many doctors do you have in your medical center?

Dr. WILSON. Thirteen, but it is not a group practice. It is a medical center and it is not a group practice. We have a pharmacy and each man operates his own office—maybe two men in each office—separately.

Mr. CONWAY. As far as the American Dental Association is concerned, in relation to our central office activities, we have received no complaints or questions from the membership about financing, lack of financing for group practice facilities.

Mr. HARVEY. Would you agree with my statement earlier when I said, at least in Michigan, a doctor or dentist right out of medical school could go into a bank and secure financing for this sort of thing?

Mr. CONWAY. That seems to be the case; yes, sir.

Dr. WILSON. I happened to do this during the depression right out of school, so I know this is true.

Mr. HARVEY. And it is still the case today?

Dr. WILSON. Yes, sir.

Mr. HARVEY. One other question. If this committee were to pass a bill like this, would you think that it would be wise to put some sort of limit, say, perhaps in percentage of the cost of the building, a limit upon the amount of equipment and facilities that could be financed?

Dr. WILSON. I think this would be good judgment, very good.

Mr. HARVEY. Would you see a danger that Dr. Renger talked about perhaps in financing equipment that might not be needed just because it could not be financed on a 90-percent basis?

Dr. WILSON. Very much so. You would have the duplication of equipment in several areas, in my opinion.

Mr. HARVEY. Thank you very much, Doctor. One other question. You also appeared before the Interstate and Foreign Commerce Committee, Mr. Conway, with Dr. Kerr?

Mr. CONWAY. That's right.

Mr. HARVEY. I have no further questions.

Mr. BARRETT. Thank you, Dr. Wilson.

We want to thank you and Mr. Conway for your testimony and consideration will be given to your testimony along with the others.

Dr. WILSON. Thank you very much.

Mr. BARRETT. Our next witness will be Alden N. Haffner, executive director, Optometric Center of New York City, representing the American Optometric Association.

Dr. Haffner, come forward please.

Before you start your statement, it has been the policy of our committee on both sides where we want to make everyone as comfortable as we can. You seem to have a forerunner to make one feel at home. On Friday I received a letter indicating that Alden N. Haffner is scheduled to testify before the subcommittee on H.R. 9256. The letter states, "In view of the fact that I will not be at the committee hearings because of a previous engagement in New York City, I would appreciate it if you will in recognizing Dr. Haffner indicate that I would love to have introduced him to the committee but because of official business in New York City I regret my inability to do so." That was sent to me by Paul A. Fino, a very capable member of the full committee on Banking and Currency and one who is very highly respected on the Housing Subcommittee. Certainly, Dr. Haffner, I want you to feel at home and I certainly will report to him that you appeared here this morning and I note that you have an associate with you. If you would be kind enough to introduce him for the record we will go right on. If you desire you can make your full statement, then we may want to ask you some questions after you have finished.

(The letter referred to follows:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 8, 1966.

Hon. WILLIAM A. BARRETT,
House of Representatives,
Washington, D.C.

DEAR BILL: On Friday, March 11, Mr. Alden N. Haffner is scheduled to testify before the subcommittee on H.R. 9256.

In view of the fact that I will not be at the committee hearings because of a previous engagement in New York City, I would appreciate it if you will in recognizing Mr. Haffner indicate that I would love to have introduced him to the committee but because of official business in New York City I regret my inability to do so.

With kindest regards, I am,
Sincerely yours,

PAUL A. FINO,
Member of Congress.

STATEMENT OF ALDEN N. HAFFNER, O.D., EXECUTIVE DIRECTOR, OPTOMETRIC CENTER OF NEW YORK CITY, REPRESENTING AMERICAN OPTOMETRIC ASSOCIATION; ACCOMPANIED BY WILLIAM P. McCRACKEN, WASHINGTON COUNSEL, AMERICAN OPTOMETRIC ASSOCIATION

Dr. HAFFNER. Thank you very much, Mr. Chairman, and I am deeply appreciative to the good Congressman from the Bronx who sent that very kind letter. My associate this morning is William P. McCracken, Jr., Washington counsel for the American Optometric Association.

Mr. Chairman and members of the committee, it is a pleasure to appear before this committee.

I am Alden N. Haffner, executive director of the Optometric Center of New York City. Today I am testifying on behalf of the American Optometric Association which represents the optometric profession in this country. There are some 17,000 doctors of optometry throughout the United States engaged in the full-time practice of their profession. The association represents over two-thirds of these practicing optometrists.

Briefly, my background includes a bachelor of arts degree from Brooklyn College, a doctor of optometry degree from Pennsylvania State College of Optometry, master's and doctor of philosophy degrees from the graduate school of public administration, New York University. The graduate degrees were in the field of public policy in social issues involved in health and welfare.

I am chairman of the association's social and health care trends committee and also serve as chairman of the public health section of the American Academy of Optometry. During the Korean war I served as an Army optometry officer, most of the time in La Rochelle, France, with the rank of first lieutenant. I received an honorable discharge and since then have been practicing my profession in New York City.

The term "group practice" implies comprehensive care—health care which is broader and more profound than any single practitioner can professionally bring to the people. This holds true for both types of group practice, the interdisciplinary or multidiscipline groups.

Interdisciplinary groups offer a broad range of practitioners who represent the entire spectrum of the health team—physicians, dentists, podiatrists, and optometrists. The single-discipline group practice provides concentration of knowledge in depth within a particular specialty area. Optometrists participate and render their services in the visual sciences in both types of group practices throughout the country.

The great interdisciplinary comprehensive group practices have optometrists on their professional staffs as an integral part of the health team. They include: Ross-Loos, Kaiser-Permanente, Health Insurance Plan of Greater New York, Community Health Association, and the Gouveneur Ambulatory Care Unit of Beth Israel Medical Center in lower Manhattan. The latter is a very large and extensive group practice facility, jointly operated by the city of New York and the Beth Israel Medical Center. It has all types and kinds of health

practitioners. Nine optometrists participate in the Gouveneur program.

An example of the single-discipline group practice is the Optometric Center of New York City with which I am affiliated as director. Forty-six optometrists, specialists in every phase of the visual sciences, represent a unique community facility and the largest single-discipline group practice in optometry in the United States.

Educators and practitioners of every health discipline are today acutely aware of the remarkable, exciting, and challenging revolution in the knowledge of health sciences. New facts are being assembled, new theories postulated, new methods and techniques offered for the improvement of health care. The rapid rate of growth has led to greater dependence of one practitioner upon another. The desire to bring more care, care in greater depth, and the kind of care which places added emphasis on the monitoring of quality standards, has greatly influenced the concept of group practice.

In his statement before this committee earlier in the month, HEW Under Secretary Cohen noted the country's population growth and the correlated increasing demand for health services. To meet this demand he cited the Health Professions Educational Assistance Act which Congress passed to increase the supply of available health manpower; this legislation includes optometrists. I would like to add that the 1965 amendments to this act afford partial forgiveness of loans to those students of medicine, dentistry, and optometry who, upon graduation, establish practices in areas critically short of health manpower. Congress further recognized the shortage of qualified vision care specialists by including optometry in the loan forgiveness provision.

H.R. 9256 will afford these same health professionals the opportunity to establish practices in well-equipped offices in functionally constructed buildings to the benefit of their patients. The group practice lends itself especially to the care of our older citizens who might otherwise have to travel exhausting distances to keep appointments with various health practitioners. This is especially true in rural and suburban areas.

The vision care needs of the country's population rank high on the list of health needs. Optometry is the profession specifically trained and licensed in all the States and the District of Columbia to care for vision. By way of background for the subcommittee, the minimum requirements for the education of optometrists are at least 2 years of preprofessional undergraduate college work in liberal arts and basic sciences followed by 4 years of professional education leading to the degree, doctor of optometry (O.D.). All of the schools and colleges confer this degree. In addition, five institutions maintain research oriented graduate programs leading to a master's degree in physiological optics and three programs lead to a Ph. D. in physiological optics and they comprise the major source of these research practitioners.

As the vision needs of the citizens increased through the years, optometry developed certain specialties. For example, at the Optometric Center of New York we have optometrists who specialize in vision training, some of whom work only with children's vision needs; others deal with the problems of people who have only limited sight;

still others devote their time exclusively to contact lens patients. In its 10-year history, the center's group practice has served the community in a wide range of vision needs and, I will add, has provided care for people who might otherwise have been unable to obtain the services.

The bill you are now considering, H.R. 9256, is an excellent one which demonstrates that there is and should be public concern, encouragement, and financial means to foster more group health practices. I must add immediately, however, that the bill in its present form omits the profession of optometry.

Optometrists should be allowed to care for the vision needs of the country in a group practice on the same footing with physicians and dentists. The American people need and indeed depend on the care optometrists provide. As a matter of record, optometrists render more than 70 percent of the vision care in this country.

The administration's war on poverty, particularly as it relates to school dropouts and preschool children (Project Headstart), has need of group practice facilities such as are contemplated by H.R. 9256. It is impossible to overestimate the importance of vision in this age of high speeds, intercontinental ballistic missiles, supersonic aircraft, and electronic computers. You know also the demands on your own eyes and those of your staff because of the vast amount of required reading.

To deny optometrists the opportunity to participate in group practice is to divert from the mainstream of vital health services the optometric vision care which the American people need and upon which they depend.

On behalf of your constituents who are served by the optometric profession, I strongly urge that in reporting this bill you incorporate the 15 amendments which are attached. These amendments have but a single purpose; namely, to include optometry in the provisions of the bill. Our profession is an important segment of the health community. In the interest of the public's visual welfare its services should be eligible to participate in the growing area of group practice. If optometry is not specifically mentioned along with medicine and dentistry, it will be ineligible to participate.

Mr. Chairman, there is attached to this statement a paper which was written by me in 1960 entitled "An Examination of Group Practice in the Administration of Health Services." This monograph was the outgrowth of the thesis prepared for my master's degree. I will leave it with you for your information.

Permit me to express on behalf of the optometric profession our appreciation for this opportunity to state our position.

Mr. McCracken and I will be pleased to answer any questions you desire to ask.

(The amendments and the monograph referred to follow:)

AMENDMENTS TO H.R. 9256, 89TH CONGRESS, 1ST SESSION, SUGGESTED IN THE STATEMENT OF DR. ALDEN N. HAFFNER

The bill, as introduced, is applicable only to group practice facilities for physicians and dentists. The purpose of the amendments is to make the provisions of the bill also applicable to optometrists.

Amendment 1: The title, line 4, after the word "medicine" insert the word "optometry".

Amendment 2: Page 1, line 5, after the word "medicine" insert the word "optometry".

Amendment 3: Page 10, line 3, after the word "or" insert the words "in the case of optometrists under the professional supervision of persons licensed to practice optometry in the State".

Amendment 4: Page 10, line 7, after the word "medical" insert the word "optometric".

Amendment 5: Page 10, line 8, after the word "medical" insert the word "optometric".

Amendment 6: Page 10, line 10, after the word "State" insert the words "or of persons licensed to practice optometry in the State".

Amendment 7: Page 11, line 2, after the word "medical" insert the word "optometric".

Amendment 8: Page 11, line 3, after the word "medical" insert the word "optometric".

Amendment 9: Page 11, line 4, after the word "care" insert the words "optometric care".

Amendment 10: Page 11, line 5, strike out the words "or both" and insert in lieu thereof the following: "optometric care of a combination of any two or all of said cares".

Amendment 11: Page 11, line 10, after the word "medical'" insert the word "optometric".

Amendment 12: Page 11, line 15, after the word "medical" insert the word "optometric".

Amendment 13: Page 11, line 17, after the word "medical" insert the word "optometric".

Amendment 14: Page 16, line 24, after the word "medical" insert the word "optometric".

Amendment 15: Page 19, line 12, after the word "physicians" insert the word "optometrists".

[From the Optometric Weekly, 1963]

An Examination of Group Practice in the Administration of Health Services

Alden N. Haffner, O.D., M.P.A.*
Optometric Center of New York
New York, New York

I. Introduction, Background and Organization

It is important to make a definitive differentiation between the concept of a clinic (and/or dispensary) from the term group practice. A clinic can be said to represent a type or form of professional practice which is organized as the result of, and through the cooperation of, physicians and other professionals who perform their services by themselves or with the aid or promulgation of an organized lay group. A clinic or dispensary carries with it the connotation that its services are used for the indigent, medically indigent, or very low income population groupings. This connotation is not a completely accurate one. Davis,[1] in 1927, analyzed reports of the economic status of persons attending clinics throughout the country and found that from 2 to 20 percent had the ability to pay for the services which were rendered. But, for the most part, clinics were organized, in the traditional and legal sense, primarily for the patient grouping which was unable to afford payment for services.

Although it has been indicated that clinics and dispensaries were to be regarded as similar, as in fact many are, in the history of their earliest developments there existed a differentiation in terms of the dispensary providing free or very low cost medicinals. However, in the last three decades, that differentiation appears to have been relegated to minor importance. Clinics, however, still may refer to their dispensaries but appear to utilize the term pharmacy to a greater extent.

Another connotative strain in the name clinic is that of teaching, learning and experimental application. In a historical sense, an independent clinic was utilized for the education and training of the intern or resident and for the young practitioner who wanted to continue his learning. It existed as an institution where established practitioners could serve the community by donating their services. In turn, they received a titled status which was regarded as a mark of their professional stature and abilities. As a later consequence of the aforementioned teaching function, clinics developed affiliations with hospitals either as an out-patient unit or as a specialty service unit. One of the outstanding examples of the clinic in its earliest form that still remains today very much as it existed a half century ago is the Stuyvesant Polyclinic (formerly the Deutscher Polyclinic). For the most part, clinics today are associated with hospitals as out-patient facilities and are still utilized for the care of medically indigent persons of the community. The notable exceptions are specialty clinics such as the Foot Clinics of New York (podiatry), the Optometric Center of New York (optometry), the Guggenheim Memorial Clinic (dentistry), and the many individual mental hygiene, psychiatric and psychological clinics.

It should be stated that even for the classical traditions of a clinic or group environment serving the poor, two outstanding exceptions deserve note. They are the Vanderbilt Clinic and the Mayo Clinic.

> If it were possible to get the facts we should find every income group represented among the patients of clinics. At the Mayo Clinic, the very wealthy as well as many of the poor can be found. In many other places, patients will be found from the small but socially significant groups of the well-to-do who pay for what they believe to be the advantages of institutional practice.[2]

The term group practice may be defined

*A thesis submitted to the faculty of the Graduate School of Public Administration and Social Service of New York University in partial fulfillment of the requirements for the degree Master of Public Administration. The degree was conferred. Dr. Haffner is executive director of the Optometric Center of New York.

as the rendering of professional services by several members of the health care disciplines in a unified structure designed for patient control and operational efficiency. All too often, group practice is applied to define the situation in which several practitioners share a professional building but their contact, one with the other, is limited. Essentially, this latter situation is nothing more than several practitioners occupying quarters in the same building. The important and essential element in true group practice is that the patient is subjected to a multi-disciplined approach for the professional services which he receives. The term group practice connotes that the patients who receive its professional services are able to, and do, in fact, pay for those services. Thus, with the exception of the factor of economics, it may be said that there are striking similarities between a clinic and a group practice. The latter, in its development as a potent present force in the administration of health services, is considered a consequence of the institutional concept of the clinic applied to patients in other than the indigent group.

One further term is worthy of definition in this discussion. Health center has had many varied meanings. Frequently it was used to designate a hospital complex or a clinical complex applied broadly to community health problems, both therapeutic and preventive. Oftentimes, one aspect of a community health problem had its organizational care in a health center. The New York Milk Committee in the field of child health and the experimental New York City Department of Health Lower East Side health center program for tuberculosis (by Commissioner S. S. Goldwater) are outstanding examples. As the levels of mass health care steadily improved in this country during the last four decades, the health center concept was altered. In effect, the resulting benefits of coordinated and organized solution to the health conditions of a large segment of a community in the low income or indigent groupings has been extended toward the concept of group practice. The Des Moines Health Center (Iowa) and the Judson Health Center (New York) are early (c. 1920) organizations of group practice applied to community or large district populations providing comprehensive health services, on an out-patient basis, under the aegis of a formed organization structure and with professional services of physicians, dentists, optometrists, nurses, social workers, etc., on a part-time or full-time salaried basis.

Important as part of the Judson Health Center program was an extensive supervised and integrated home care program as a vital adjunct to the center visits. In his discussion of the early history of the Judson Health Center, Davis[3] speaks of visits to the "clinic" as well as home visits. One must conclude that while that medical historian took great pains to proclaim the separateness of structure and function of the health center concept, he repeatedly lapsed into paragraphs which were convincing to the reader that the health center (the rose by another name) was a broader manifestation of the institutional concept of the clinic. One of its chief differences is that it more broadly applies itself to the health needs of the community. A second, and perhaps more important difference is the degree of centralization of the record system. In a single type of administrative unit, there exists centralized patient record control. Most clinics (as well as the Judson Health Center) maintain central record function. Where the health center is a federate type comprising many social welfare, civic and health groups, the record system is decentralized. Clearly, the former produced coordinated technical and health information and has withstood the test of time.

Socio-Economic Trends in Health Care

Specialists in public health agree that the social institutions, as they have been known in the past, are now witness to a broad based sociological change as they pertain to the concepts of the administration of health services.[4] This is, in part, a reflection of changes in national social attitudes and, at the same time, the result of great advances in the health sciences with their attendant niagara of technical complexities. For, indeed, the private practitioner in "solo" type practice, who was the direct participant in the "barter" for professional services with the patient whom he served, is representative of a theme which is on the wane. It is a situation which is being further modified daily.

The three main forces or trends in health care may be identified as prepayment, insurance underwriting and the intervention of the so-called "third party" and, finally, the trend toward centralization of facilities. Group practice is an expression of this latter movement. Any discussion of that form or environment within which health services are rendered should be understood in terms of its development, its relationship with the past and the reasons for the present state. While it is beyond the scope of this paper to concern itself with the historical and socio-economic forces which have blended to produce these

changes, they must, at least, be noted. The great depression of the 1930's which so profoundly changed the course of social relations between the government and its citizens can be set high on any list. It utterly destroyed the old ways and ushered in the Rooseveltian expression of "social security." From that historic moment in October of 1929, the "crash" of past institutions has resulted in an echo of change, albeit unabated, through three decades. The idea of budgeting for health care through prepayment came into being. Never again could the men and women of the United States afford "not to afford" to pay for health care. But the budgeting phenomenon was only one aspect of prepayment. Beadsley Ruml introduced "pay as you go" to finance the war effort and the notion of making regular payments toward an anticipated cost was applied to health economics.

As long as the cost of medical care was within the budgetary capacity of the rank and file citizen, each recipient of services could, more or less, negotiate for his professional needs. But the cost of remaining healthy began to climb markedly during the last three decades. The advancement of medical knowledge, the resultant acceleration of medical specialization, the rapid growth of advanced methods applied toward care in hospitals—all contributed toward the need for insuring against the financial strain of physiological catastrophies. People were fearful of the loss of what could amount to life savings as the result of a serious illness. Modest bank accounts accrued through the efforts of many years of toil could be wiped out in a matter of a few short weeks. And so, persons in occupational groups or other entities banded together to pool their risks and to insure themselves mainly with hospitalization, it was not very long before the extent of the comprehension of professional services began to grow in scope and depth. Thus, comprehensive health care insurance protection through the so-called health expense indemnity corporations[5] have been rising at a faster rate than all other forms of limited or partial health insurance protection.[6]

The last two decades will surely be recorded in the annals of public health as the golden age of great medical progress. The physician, and his counterpart in the professions of dentistry, optometry and podiatry, has reached a pinnacle of social status as an important and integral part of his community as a result of the historic and dramatic advances in the knowledge of the health sciences. Every practitioner has assumed the mantle of "the pioneer" and, truly, the "frontiers" of health care have been pushed back. Two very important consequences of this have been the enormous rise in practice specialization and a commensurate growing interdependence of all health practitioners. An extensive discussion is not necessary at this point to conclude that group practice (rather than "solo" practice) is, therefore, in keeping with the trend which, through its functional organization, permits a ready exchange of multi-disciplined medical knowledge for the greater benefit of the patient. As with any forces prevalent upon a subject, it was a natural consequence to adapt the favorable aspects of prepaid group health insurance to the professional services rendered in a group practice in order to produce an environment and system for the administration of health services which is enjoying a rapid expansion throughout the country. The Health Insurance Plan of Greater New York (so-called H.I.P.), the Ross-Loos Clinics, and the Kaiser-Permanente Health Centers are outstanding examples. Bluestone[7], in 1947, discussed the placement of a group practice unit in a hospital environment as a concept which gains for the hospital, the professional man and, most decidedly, for the patient. He analyzed the hospital as a group practice environment and reasoned the advocacy of a "marriage" between the hospital and group practice.

> It goes without saying that group medical care in hospitals on this basis, viewed simply as a matter of hospital economics, will hasten the patients out of wards and into private and semi-private accommodations. One cannot find fault with the enthusiast who goes so far as to urge that the future hospital be planned around such a sound nucleus as this. . . . Group practice will bring the practitioner closer to the hospital and both will benefit by the association.[8]

It is noted that the Health Insurance Plan of Greater New York established a demonstration group practice at Montefiore Hospital in the Bronx which has grown and prospered during the past 14 years.

In any discussion of health care trends, one cannot avoid concluding it with notice of the increasing role of the federal government in both the provision of public funds and the extension of new programs. The United States Public Health Service, the National Institutes of Health, the Medical Service and Health System of the Veterans Administration are all important. The Forand legislation, the Federal Employees Health Benefits Program, the Hill-Burton Act, and the Humphrey Plan cannot be underestimated as to their importance in influencing future developments in group

practice and testify to the very heavy commitment of the federal government. If the pattern of the last two decades represents a hint of the future, it is that the role of the federal government will steadily increase and, if it does not already exist, be the dominant force in the administration of health services.[9]

Advantages and Disadvantages of Group Practice

In previous paragraphs, reference has been made to solo practice as that in which administration of health services was rendered by a single practitioner, in his own office and independent of contact with other practitioners (as far as the patient was concerned). Group practice, therefore, becomes the alternative to solo practice and represents the cumulative expression of the professional services of several practitioners. In 1951, Hunt and Goldstein arbitrarily assumed three practitioners as representing the minimum number necessary for joint professional efforts to be considered as group practice.[10]

Perhaps the outstanding advantages of group practice, as opposed to solo practice, is that the group environment offers the recipient, the patient, a higher level in the quality of professional care because of the provision of the group facility in which there is a more ready consultation, formal and informal, among practitioners. In addition, there is an easy access to laboratory services. It follows that there must be, in a group practice, a more liberal ability to do better work by the removal of restrictions, self imposed or otherwise, upon seeking laboratory analyses and in the matter of consultations. The true nature of a professional man, in its more ideal pattern, in receiving appreciation and satisfaction because of the environment of inter-disciplinary professional cooperation is an important advantage. In short, the atmosphere of cooperation of members of the health "team" is conducive to a better functioning doctor and results in better care for the patient.

It would seem logical that from the group environment and the group effort a greater professional development and maturity resulted. It can be concluded that this occurs because of the close and continuous contact among professional personnel. As a corollary consideration, the group environment produces an easy atmosphere to exchange discussion of new concepts and methods reported in literature.

An almost universal dislike of day-to-day financial administration of the operation of a practice is expressed by the doctor. Forms, statements, liability reports, compensation reports, patient payments and general records control comprise the "business" of running a practice. Group practice, to a large extent, frees the doctor from these details which so often, in solo practice, interfere with his professional duties. It can be said, therefore, that the group effort ultimately represents a greater efficiency in that the highly trained practitioner expends the majority of his effort in the task for which he was so expensively educated and so exhaustively trained.

In group practice, a ready ability for the planning and budgeting of time of professional personnel exists. The value of regular and periodic vacations is well known to persons whose lives bear great responsibilities and whose work requires great emotional and intellectual concentration and organization. The solo practitioner is hard put to plan his time. Time to attend medical conferences and to undertake post graduate education and training are important to keep the doctor highly "tuned" in his professional capabilities. The group practice makes this possible while the solo practice effort must virtually come to a halt when this occurs. In the former, there is no danger in losing patients, or income, or of an interruption in the ability to render essential services to the patient.

The group effort represents, to the patient, an ability to gain more health care for the same expenditure of monies. The economics of group practice, in later discussions, is shown to be a more economical form for the rendering of health services. Group practice enables a smaller community, not otherwise able to support the services of a specialist, to utilize specialty services by sharing them with group practices in other smaller or rural communities. Thus, by an efficient organization of the medical effort, there can be a "pooling" of the services of a specialist. This type of an arrangement also insures that the specialist will be rendering his unique services and avoids contributing professional acumen which a doctor with lesser training can contribute. This enables the patient to acquire more and better care from group practice than from solo practice.

As a result of a long tradition and Hollywood characterization, the doctor is conceived as the servant of the people, available to their needs at all hours, in every kind of adverse situation, weather not withstanding to the contrary. The picture is one of the doctor serving long and grueling hours. An objective analysis of personnel function finds that productivity, creativity and efficient effort does not occur

with prolonged working hours. The professional man is no exception to this. Group practice provides a medium within which a regularity of daily and weekly working hours can be attained with the practice always having coverage. It enables the doctor to be more efficient, alert and productive during his work schedule and enables him to enjoy a private life which is so often sacrificed in solo practice. This latter point should be emphasized as having considerable importance in the consideration of the expenditure of human effort. From the standpoint of utilization of personnel, there can be little argument against the concept that group practice more efficiently utilizes the talents and efforts of its practitioners. The struggle of the new, young practitioner "to get on his feet" is well known in all the professions. By the assimilation of new practitioners in the group, this "lean" period is reduced or eliminated. The young practitioner enjoys an immediate higher level of income, and his technical skills and abilities are not permitted to waste for lack of use.

From the standpoint of the length of a career in the health disciplines, an average income is enjoyed by the practitioner in the group as opposed to the solo practitioner. This will be discussed more fully in later paragraphs. Suffice it to state that under the tax structure existing today early low levels of income cannot be balanced with later high income levels. The tax payer is at a disadvantage at both ends. A moderately rising income, beginning from a relatively high initial base, constitutes a favorable cumulative income picture when reasoned from the tax limitations. In addition, a group carries the ability to provide such important fringe advantages as insurance, liability and retirement which have financial overtones not within the scope of the solo practitioner.

As the economic trends of health care gravitate more and more toward prepayment and insurance underwriting, statistical evidence indicates that the services which are being underwritten are becoming increasingly comprehensive in scope.[12] Group practice for the rendering of comprehensive professional services lends itself most readily to the prepayment and insurance plans. Thus, the economic principle and the actual facility and organization of the health services can be "married" as two mutually convenient concepts which facilitate and enhance one another.

From the standpoint of the level of patient care, the group practice facilitates the adoption of standards for patient care not readily adopted by the solo practitioner. Although professional ethi
cism of the work of one do
the group practice provides the
for critical evaluation of the wo
members of the group. Little argume
be advanced to alter the fact that the p
tient and the doctor are the beneficiaries of
this "group scrutiny." Because the "total"
person will be treated with careful records
which are centrally administered, an accurate health history becomes possible. The matter of uninterrupted continuity of care is an important factor adding to the advantages of group practice. It lends itself to facilitate higher professional standards for the patient.

It is interesting to note that in a study by the United States Public Health Service[13] of 22 medical groups involving 252 physicians, a questionnaire survey revealed that approximately 75 percent of all physicians held that the chief advantage of group practice involved a higher quality of health care for the patient. This high margin of agreement on the leading advantages of group practice by the physicians surveyed is further advanced by the fact that the next three leading advantages which they chose also involved the quality of patient care.

Although extensive statistics on the longevity and stability of group practice are not available, those available statistics do point to a greater stability of the group environment and a greater patient retention than that of solo practice. This, from an institutional standpoint, must be characterized as a decided advantage in patient care. The great surge in group practice has occurred during the past generation.

Perhaps the leading disadvantage of group practice, or at least the one which is most often vocalized, is the question of the doctor-patient relationship. Many physicians and patients contend that group practice tends to be more impersonal, less intimate than the relationship between patient and solo practitioner. Others answer this argument that with adequate medical and health histories the less "personal touch" permits a more objective evaluation of the patient's ills. This latter group points to the armed forces medical service as representing a logical example to counter this argument. Of the same study previously mentioned, no physician contended that the lack of intimate and personal relationship adversely affected the quality of care, but rather that the relationship "seemed to be" desirable.

Inbreeding of professional views tends to be a disadvantage of group practice. It would be logical that there would be a natu-

ral inhibition of professional contacts outside of the group. The higher form of the group organization structure, the less would be the likelihood of extensive outside contacts. In addition, the general medical community has, in the past, exhibited an unwarranted animosity toward the members of groups further lessening the probability of outside professional rapport. It should clearly be noted that the result and not the cause is listed as a disadvantage. The result is the inbreeding of medical philosophy and viewpoint. That a group might become "stale" is a situation which should be avoided. Thus, the greater need exists for post graduate training and attendance at medical conferences. The latter tends to be an effective check against the former.

It was noted that the matter of professional cooperation and closeness of action were regarded as decided advantages of group practice. However, in the personal day-to-day relationships this advantage might be lessened by the internal friction within the group. The rigid education and training of the doctor demands of him a unique kind of individuality and independence which most often becomes deeply ingrained in his personality as well as in his professional approach. It is the personality factor, more than any other, which accounts for the possible bickering and internal squabbling. That this must be kept to a minimum for the benefit of the patient and the success of the group is abundantly clear. It might also be noted that the schools and colleges should modify their approach to emphasize the importance of the group endeavor.

Another disadvantage of group practice is that there is a restriction of the patient's opportunity to choose the services of a consultant. While on the face of it, the foregoing statement is true, it should be noted that the doctor's choice of consultant is reasoned to be vastly superior to that of the patient. The professional needs of the patient can be more objectively and scientifically evaluated by the doctor rather than by the patient. The patient is not competent to judge his professional needs in consulting services.

As a possible disadvantage of group practice, the argument has been rendered that patients are subjected to a much higher rate of consulting services and x-ray and laboratory analyses than for those patients who are treated by solo practitioners. The statement is statistically correct but implies that these consultation and laboratory analyses are unnecessary. To the degree that most groups are engaged in programs of preventive care, as well as therapeutic care, one would expect a higher consultation and laboratory rate. Physicians in group practice argue that earlier definitive diagnoses are made possible by these procedures. However, those who argue that such testing and consultative services are unnecessary readily admit that were they in an environment where such services were "at hand," they, too, would utilize them to a greater degree than their prevalent utilization in solo practice.

It should be remembered that the codes of ethical conduct written for members of the health professions were done so with the private, solo practitioner in mind. No individual doctor in his professional community would stand high in the esteem of his peers were he to advertise his services, solicit to enlarge his practice or gain the publicity of the communication media. And, yet, the group practice in its larger and more complex forms (HIP, Permanente, Group Health Cooperative, Ross Loos, Rip Van Winkle, etc.) all resort to these techniques mainly to approach occupational groups which might be "sold" the health program offered by the group practice. The question of unethical conduct as a disadvantage should in fairness be listed pending a re-evaluation of the ethical codes in the light of present day group practice.

Since the emergence of group practice as a dominant force in the administration of health services, the matter of access to general hospitals by the members of the group has been the subject of severe and heated controversy. Sometimes this controversy can become so acute as to spill out in full display on the front pages of our newspapers.[14] Some physicians contend that only the hospital environment offers the best opportunity for the advancement and interchange of professional knowledge and not the group. This group contends that only the hospital is the place for the highest quality of patient care. "That members of a group practice should be denied hospital privileges is unthinkable from the public's point of view."[15] In prior discussions, the concept of group practice attached to a hospital environment was held to be a distinctly favorable situation.[16] One must conclude, therefore, that the relationship of the general hospital and group practice is a disadvantage but that its cause lies solely within the province of intra-professional relations. That the effect is a subject for public concern is well documented.

Considered as a decided disadvantage to the very well trained specialist in group practice is that his income level is decidedly lower than that of a solo practitioner in

private practice. Statistical evidence bears this out as a truism. Alterations in the economic structure for such specialists would seem to be in order.

A disadvantage of a group practice might be listed in terms of the relatively high capital construction costs of the group facility. In a later discussion of the Humphrey Bill and other legislation, this weakness will, for the most part, be met. While the opposition of organized medicine to group practice still exists, the resolutions of the House of Delegates of the American Medical Association have during the past five years lessened[17] to a situation of recognition and acceptance (but not quite approval).

Weinerman,[18] in 1951, held that other weaknesses of group health plans were shaky actuarial basis and relative high cost of premiums for the lower income families. It can be readily pointed out that what Dr. Weinerman refers to is one economic vehicle for the group practice and should not be attributed, as he holds, as a disadvantage or weakness of group practice. They should, rather, be considered separately.

The last enumerated disadvantage will conclude this discussion (because it is potentially the most serious). There is always the danger that in modern group practice the patient will become sectionalized among a battery of specialists who will fractionate his ills and his care. Clearly, to overcome this potential danger requires strict adherence to an administrative arrangement whereby the patient is assigned to a general practitioner who will serve as the nucleus of the group team and who, as a consequence of that position, will be assigned overall responsibility for the patient's management and care.

It is the opinion of the writer that the hopes of better and more efficient administration of health services rests in the group practice rather than the solo practice and that this view is adequately supported by the discussed advantages for surpassing the disadvantages.

Types of Group Practice

The simplest form of group practice is one which includes three physicians. Its structural-economic arrangement may be as a single owner, a two partner-owner arrangement or all three as a partnership. It is generally accepted that the minimum number of professional personnel necessary to constitute a group is three; that two represent associates in essentially a solo practice. In a 1946 survey[19] of the number of character of medical groups, of 368 groups, more than three-quarters of the groups were essentially partnerships with more than half of these being partnerships with employed physicians. Of the 368 groups, only 36 or less than 10 percent represented single owners. Of the total number of groups 93 had part-time doctors while the remainder utilized full-time personnel. The median number of full-time physicians was 4.7 with a mean of 8.4. Four of the groups included one unit with 250, two with 50, and one group with 28 full-time physicians. The preponderance of the smaller groups were in cities with populations under one hundred thousand. It is well known that corporate forms of professional practice are outlawed in almost every one of the 50 states. Nevertheless, 3 percent of the groups studied were reported as corporations. However, some of the corporations referred to incorporation for the ownership of the physical assets (instrumentation) and facilities (building, land). When the economic principle of prepayment was adapted to group practice, the corporate issue as a legal question assumed greater significance. A discussion of the legal implications of corporate professional practice will be undertaken later in this presentation.

A second type of group practice involves a situation in which all personnel are employees of a sponsoring organization such as an industry. Since the advent of World War II, industry-labor bargainings have centered about the question of the so-called fringe benefits. This was especially so during the period of the war and immediately afterward when a wage level was regulated by law. As long as wages were fixed, labor argued for more benefits for the employees outside of or "fringed" to wages. One important one, perhaps the most important, was health care. One manifestation of the fringe phenomenon was an industry sponsored (employer sponsored) health program. The health program was incorporated and was considered to be incident to and necessary for the maintenance of a high level of industrial efficiency. All physicians and other health personnel were employed, either full or part-time, and initially such programs were limited to the employees. In addition, the scope of the professional services rendered was limited to those specialties which involved efficiency and safety. One of the earliest and most successful (and most copied) programs was that of the Sperry Gyroscope Corporation[20] (now Sperry-Rand Corporation) in Long Island, New York. The essential concept of this industry sponsored group practice was to be an adjunct-supplement to the health programs of each employee rather than a

substitute for it. The program very heavily stressed preventive care with annual examinations, immunizations, X-ray and laboratory analyses, as well as industrial safety and protection. One of the most important aspects of the program was that which concerned visual efficiency and eye safety. From the beginning, the program utilized the services of optometrists[21] for refraction to provide for maximum visual efficiency for the many exacting and highly complex tasks performed by employees. From the standpoint of industrial safety, the program was an outstanding success[22] and has been studied and adopted by a host of industries throughout the country. From the standpoint of structure, it should be again noted that industrial group practice is employer sponsored, essentially stressing preventive and safety care, a fringe benefit (no cost to the employee), and it is incorporated by the industry with all the personnel employed.

The third type of group practice likewise employs its health personnel, is incorporated and has as a sponsoring organization a consumer cooperative. This means that the health program is sponsored by the persons who are the recipients of the care. The labor sponsored health centers, former cooperative health programs, teacher guilds, etc., would be examples of consumer cooperatives. Unlike an industry-employer sponsored health group (in which there existed no cost to the recipient of the professional services—the care representing a fringe benefit), a consumer cooperative is prepaid group practice providing comprehensive health care and is sponsored and fostered by the consumer-members. A health cooperative attempts to furnish adequate health care to thousands of families at costs they can afford. Three basic principles apply. The first is economic. The insurance principle involves the determination of per capita costs of care for persons in a group and arranging such costs in regular monthly payments easily budgeted by a family. The second principle is that of financial administration involving consumer cooperation. The persons and family in the cooperative have banded together to meet their health bill by a group purchase of care at a health center which the cooperative owns. Membership fees and monthly budgeted payments meet capital construction and equipment costs and pay for doctors' salaries and for maintenance costs. The third principle is that of group practice involving a team of health personnel employed and performing their services in a centralized health facility. The Group Health Cooperative of Puget Sound is an outstanding example of this type of prepaid group practice.

A fourth type of group practice is one which utilizes as its focus of centralization a hospital setting. It has already been noted, in a prior discussion, that the hospital may be considered as a valid group effort. This hospital may either be voluntary or proprietary and is determined by its force of sponsorship. An example of this form of group practice is the Webb Community Health Center and Hospital[23] which, through the joint action of the people of the township and the health personnel, utilizes a small community health facility. This means of hospital centered group practice, oftentimes, is beneficial for the people of rural communities who lack even minimum hospital facilities within their immediate environment.

There has been no discussion of labor or union health centers to this point. From the point of view of classification of type, it can be placed with a cooperative with the exception that ownership is by the union or its health and welfare fund. Essentially the same in terms of employed doctors, corporate structure and ownership, the main difference is that the salaries, building and equipment of the health center come generally from joint contributions of labor and management, and administrative organization is directed by labor for both groups. In this case each recipient of professional care is the member of the union (or dependent) and the union owns the facility. In the case of the cooperative, each recipient of the care is a member-owner. However, the operation of the health program as a group practice is essentially the same in both cases.

Deserving of mention, as a type of group practice effort, is the Armed Forces Medical Service providing mass care through a satellite system of group practice. The term satellite has been used to define the place of the general hospital as the center of the system with "feeder" dispensaries and clinics surrounding one geographical area. It is interesting to note that the group practice is well integrated into the hospital system. This principle of satellite structure was utilized by the United Mine Workers Pension Fund which operates a system of clinics and dispensaries, all diagnostic centers "feeding" to general hospitals. In both cases the health personnel are employees, and the overall legal status can be considered corporate.

Legal Status of the Corporate Structure of Group Practice

Horace R. Hanson[24], a member of the Minnesota Bar, exhaustively studied the

legal status of group health plans and group practice and concluded:

> All in all, group health plans now have sufficient legal approval to encourage their widespread growth. The same can be said for any other method or experiment which is truly non-profit, operates by a service motive, and strives only for more distribution of good medical care. The courts traditionally have shown great concern for the public health, and by their decisions have indicated great impatience with any interest standing in the way of its betterment.

It should be noted at once that when one speaks of a group health plan it almost always means the financial structure and mechanism with group practice as the service base.

The conclusions of legal decisions that relate to group practice have become the base upon which future determinations will be made. The first established principle is that the health disciplines (medicine, optometry, dentistry) are emphatically professions and not trades. Their responsibilities, educational and legal bases are sound, unmistakable and recognized. However, the business aspects of public health are not dissimilar from other business and the statutes applying to the latter should also apply to the former. Such statutes hold that there shall be no restriction of business or competition by the actions or agreements of others. These statutes prohibiting the curbing of competition are embodied in state as well as federal laws.

A second established principle holds that a consumer-cooperative is not engaged in the practice of medicine when it hires physicians, by salaries, to work in health centers. This principle extends only to non-profit consumer groups specifically organized for that purpose. It follows, as a corollary, that when there is such a cooperative arrangement the physician still retains all professional responsibilities granted him by the law under which he was licensed to practice. It follows, too, that non-professional or lay direction is entirely legal. The California courts have held that in comparing a Blue Shield plan (controlled by doctor-members) to a local plan (patient-member controlled) from the standpoint of law, both are legal.

Considerable controversy developed in the medical profession concerning doctors whose services were rendered in group practices in which group prepayment plans formed the economic base. Because such health programs were successful (and in the opinion of the writer, for no other reason) the controversy involved the group doctors against those in control of the local or county medical society. Many cases were recorded in which physicians were held to be unethical and guilty of unprofessional conduct by their association with the group and were subsequently expelled from the society. The courts have held that a medical society is within the framework of its proper role when it concerns itself with professional service. Expulsion as a consequence of the "business side" of practice, that is, participating in a group plan, was held not to be a breach of professional ethics. Further, a medical society was held to exercise unreasonable and arbitrary power when it so acted.

When a professional man is employed by a non-profit corporation, the courts have held that the doctor still retains full and complete responsibility for the professional service, that it cannot be, in any way, transferred to the group or the employer. Further, the courts have held that the professional man is more than just a salaried employee but, rather, an independent contractor of the services for which only he (and not the group) is uniquely trained and specifically licensed.

Perhaps the most far reaching legal decision which advanced and solidified the structure of group practice was one that affirmed group medical practice as a reasonable alternative to individual practice. The principle was established by the United States Supreme Court in 1943.[25] Other decisions on lower judicial levels have held to a similar position. It is very interesting to note that no court, to which the question was brought for judicial review, has held otherwise.

The courts have held firmly that corporate practice is illegal, but the corporations may arrange with doctors to render their service under the auspices and at the bequest of the corporations. Where, however, a business or economic conflict might exist which could interfere with the provision of good professional services, then such arrangements between corporations and professional personnel are illegal. This obviously would not apply to the "not for profit" corporations where financial reward could not be a motivating factor.

It then becomes clear that the legal status of group practice, either by itself or in conjunction with prepayment health programs, is sound and well established. It is equally clear that a professional man who engages in this type of practice is not and should not be a lesser member of the medical community. The establishment of the foregoing legal conclusions has removed a significant barrier to the more extensive development of group practice. In some ways, they have added impetus toward its

growth by providing a legal status not heretofore contained in statutes.

Stability of Group Practice

In an attempt to determine the longevity of 98 groups studied in 1947, Hunt and Goldstein[26] found that the mean age was 19.9 years and that the oldest existing group practice was founded in 1904. No valid statistics were available to indicate the longevity of dissolved groups.

> The mean age of four voluntary non-profit hospital groups in 1947 was 28.2 years; of three industrial groups, 24.7 years; of eighty-one partnership groups, 19.7 years; of seven single-owner groups, 18.1 years, of three consumer cooperative groups, 14.7 years.[27]

Reliable statistics in the number of group practices are not available although several competent sources were sought by the writer. Rather, the stability of group practice may be defined by inductive reasoning from two points of view. The first describes the very high rate of growth of group practice. The United States Public Health Service estimated the growth of groups in 1946 over the existing number of groups in 1932 as representing an increase of 54 percent. The period to 1950 represented a 100 percent increase in the number of groups in 1932. The Group Health Institute, in 1959,[28] estimated the number of group practices at four times the 1950 estimate which was 500 groups. It should also be noted that the United States Public Health Service,[29] in 1959, reported more than 3,500 diagnostic and treatment centers, most of which would be considered group practices. Suffice it to state that the growth of group practice, during the past 15 years, has been exceptional and, from a sociological point of view, a significant trend in the administration of health services.

The second viewpoint about the stability of group practice may be defined in terms of prepayment and insurance health underwriting. These phases of health economics have represented dominant forces in public health activities during the last two decades and have represented a natural consequence to apply these economic concepts to group practice. The former has encouraged the growth of the latter. The great and demonstrative group practices of the fifties, those which comprised the American Labor Health Association and the Group Health Federation of America (now, both combined to form the Group Health Association of America) were all, with very few exceptions, representative of the application of the aforementioned economic concepts to the group philosophy. These health programs have not only grown in number, but they have grown in size and scope.

One further factor is deserving of note and that is that the large group health programs such as HIP, Rip Van Winkle, Group Health Cooperative, etc., all have a wide base of popular support and institutional standing in their communities. With the acquisition of land, property and specially built facilities, their stature and importance have increased. Truly, then, the group practices of the fifties have become institutional forces in the civic affairs of their communities and, unlike the group practices "of old," are much more than voluntary associations of doctors. Some have received special legislative charters but most are "here to stay" by the power of their broad base. The writer would liken these group health programs almost as semi-public agencies similar to the public authorities. They have an institutional flavor with considerable community support.

Functional Organization of Group Practice

The functional organization of a group practice may be viewed from several aspects. Definition of the placement of authority and responsibility with the lower levels of delegated authority described will be outlined for each of the forms of the organization. Administrative and professional officers and the functional branches of the various forms of group practice will be detailed.

As in every organizational structure, all authority and responsibility for the affairs of the group rests at the "top" of the structure. If a group practice is owned by one person, quite naturally, the owner will have all authority, and delegations of that authority would be from him to the other members of the group. The same would hold for the partnership, be it composed of two or more persons. The partners collectively would hold and delegate authority. Frequently, there is a senior-junior partnership arrangement and, in this case, the authority would rest with both. The difference would probably relate to the financial remuneration of each and possibly the extent of ownership. In larger groups of co-owners, authority of all the owners is often delegated to an executive committee or policy committee. All of the foregoing would relate to other than non-profit practices.

In non-profit group practices, it is virtually a universal truism that authority would rest with the group which fostered or sponsored the health activity. In a voluntary hospital, a board of trustees or overseers would exist. This board would, in most instances, be made up of a preponderance (if not all) of lay persons. An industrial group would have all authority

vested in a medical director or health director appointed by the corporate management. A consumer cooperative or labor health center would have all authority vested in a board of trustees.

As with any other organization where a group effort exists, every "team" must have a "captain" and that person is often the medical director. His duties would, of course, vary with the size and complexity of the group. In a small group, he might tend to be the business manager and overseer of records. In a group of moderate size, the partners, co-owners, or even the executive committee might designate one, generally from among the group, to act as the medical director. In each of these cases, he would serve as the second line of authority insofar as it was delegated to him. He would represent the group, from a professional standpoint, before the public. He would be the professional coordinator and the business manager. In the matter of equal co-owners, the medical director might serve as the chairman of the policy making body.

With regard to the non-profit group situations, the medical director, in virtually all cases, becomes the essential liaison with the lay supervisory or sponsoring board or, in the case of the corporate industry, as the liaison with a vice-president under whose responsibility the health or medical group would fall. The authority and responsibility granted to the medical director under these circumstances would be far greater than in the former instances. This is because the sponsoring group or board of trustees are lay persons who must depend upon the wisdom and competence of the person whose special training and education permits this activity. In some instances an executive director may be appointed. The functions of this office would be similar in nature to the medical director, especially if it were filled by a physician. However, there is a recent trend developing among non-profit group practices for the retention of a lay executive director who would be responsible for overall management. In this latter case, a chief of professional services would be responsible solely for the professional aspect. When the higher position is the medical director or, in the case of the executive director, a physician, then the matter of business management is most often placed in the hands of administrative assistants who are lay persons specially trained in administration. Their responsibility would include all financial transactions of the group including the collection of patient fees and the maintenance of financial records. They would supervise all office personnel, prepare schedules and be responsible for "house" maintenance. It should be noted that in the early days of group practice, the business manager may have ranged from the part-time auditor to one of the doctors who "looked after the money end." With the advent of greater efficiency in hospital administration and the growth of medical administration as a field of academic importance, more and more groups are turning their business and administrative management over to lay persons who are specialists in these fields.

One would expect that the fractionalization of the professional disciplines would depend upon the size of the group. The larger the group and the more diverse the areas of specialization, the more likely the departmentalization would exist. For groups which are departmentalized, they would, almost without exception, follow the classical lines of medical specialization. To briefly state this, medical and surgical services would be grouped. Under medical service would be internal medicine, pediatrics, psychiatry and psychology, cardiology, dermatology, endocrinology, allergy and, often, radiology and the laboratory. The surgical services might include obstetrics and gynecology, ophthalmology and optometry, otorhinolaryngology, general surgery, urology, orthopedics and podiatry, and, often, the dental department. In a hospital where a pathologist is present, he would most often supervise the laboratory. Also, in a hospital, an anesthesiologist would render his work under the surgical service. A physician engaged in public health or industrial medicine would be under the medical service.

Mention should be made of three other categories of personnel: nurses, pharmacists and medical librarians. The organizational structure would generally place the nursing service under the medical director and the same might hold for the pharmacy. This is generally not true, however, for a hospital institution. The responsibility for the medical library would be that of the administrative assistant.

While attending the 1959 meeting of the Group Health Association of America, the writer had an opportunity to speak to members of 36 representative groups from all over the country. It is almost a generalization that the group is the sole possessor of its facilities and equipment, that the larger the group, the more likely it would be that it owned its own building and even its own hospital. Because of the changing value of property and the rapid rise in the cost of building and equipping a center for group practice, the meager availability of sta-

tistics would not be truly representative of the net worth of the groups.

Economics of Group Practice—the Doctor

The type of income of the professional man in group practice is dependent upon the form of the practice. It may be derived either from a division of the net profits or by salary (or a combination of both). In 1947, Hunt and Goldstein[30] tallied income distribution among 84 partnership groups and found that 74 percent shared the pooled net income among partners while the employed doctor may have received a share of the net income over and above a salary. Some 62 percent of large groups, as opposed to 35 percent among the smaller groups, provided fixed salaries to members of the professional staff. The method or formulae for the division of monies ranged from fixed, equal salaries and equal shares of net profits to shares or salaries based upon the relative value of the professional man to the group. That is, each of the specialties might be assigned a "unit of value" and the doctor paid according to the division of net profits or by salary dependent upon patient volume seen.

It is obvious that in group practice, with the exception of the very small groups in which income is divided with equity as the foremost consideration, that the factors determining income distribution should be evaluated. Perhaps the uppermost consideration is the relative competence of the practitioner. His ability to render consistently fine professional services would rank as most important in income determination. Unlike solo practice, the judgment of this factor would be made by a "jury" of his peers. There would be little doubt that this factor would have broad overtones in terms of producing better professional care. As an incentive financial reward has considerable meaning. In this case, financial reward would have the added effect, and the more important one, of elevating standards of care.

Perhaps the second most important yardstick with which to determine income distribution is professional value to the group itself. In a predominantly adult-age patient load, it is obvious that the pediatrician has less value than the internist. This is not only because of the lower patient volume but more so in terms of the infusion of professional leadership and philosophy. In any group environment, one may expect to find leadership. In terms of professional care, it is the leadership and ability to be the "guiding spirit" which also contributes to income determination. It can also be expressed in terms of the individual having a unique professional value to the group as expressed by the degree or extent to which others in the group turn to or depend upon his professional judgment.

As a matter of practicality, the length of time that a person has been with a group would also be an important factor. The seniority system itself is based upon the factor of loyalty to the group, and it has a broad basis in our economic institutions. Length of time with the group also has meaning in terms of stability and continuity of the group and, thus, it is a second important reason for its being used as a yardstick.

The matter of professional experience is an essential element which acts as a determinant in income distribution. The professional stature of a doctor is in part determined by the extent of his experience. However, even this factor is limited in that experience is considered important up to a point beyond which it loses in importance. It could be stated as a generalization that the fully trained internist with 10 years of experience is certainly more valuable than the fully trained internist just out of his residency program. But in making a comparison between fully trained internists, one with 10 years of experience and the other with 15 years of experience, one would find little to base a difference in value to the group.

The matter of formal training of the practitioner is an essential factor. The person who had residency training in a specialty and who has passed specialty board examinations would have greater value to a group than the person who is "fresh from internship." As a corollary factor, one might understand that the role of an experienced general practitioner must be weighed against formal training of a specialist in determining the value to a group. Depending upon the type of practice, the general practitioner's importance will be determined. In a group engaged in comprehensive care with a broad spectrum of specialities represented, the general practitioner could represent the keystone and backbone of the group with the specialties acting more in the nature of consulting specialists. In a well organized and properly balanced professional program, specialists would not engage in activity in which the general practitioner can adequately perform the same services. This matter of specialist vs. the general practitioner has been a source of very considerable controversy in the medical community, and it has overtones in health care which has a multidisciplined base.

Another factor in income determination

would relate to the extent to which the older practitioner could still maintain a patient load. To put it another way, how would the older practitioner be paid when there is a decrease in his patient load. It would be expected in the larger groups that a paid retirement system would be in effect which would cushion the loss of income of the older practitioner. As the converse factor, one would consider the quantity of new patients seen by a practitioner. This would be especially applicable in terms of assigned work loads to the general practitioner. Given a group of general practitioners, the assignment of numbers of new patients would be a determining factor. Often, the doctor may perform work for the group as an adjunct to another position he may have outside of the group and, therefore, purposely limits his work load.

The type of specialty is also a determining factor in income distribution. The cardiologist in a large group would be paid a higher sum than would the general practitioner or, indeed, the internist or pediatrician. The neurologist is paid on a higher level than is the dermatologist. But the specific formula is determined by each group. The book value of the work done by the practitioner would, also, determine the income distribution in terms of volume and comparable cost in private practice.

In the preceding paragraphs, the matter of ownership was discussed. It would be expected that the owner or co-owner would share more heavily in the net profits than would part or junior owners. The extent of ownership would, therefore, be a factor to be considered. Similarly, in a large group practice, the number of patients brought into the group by a doctor, as the result of his participation, would have some bearing upon the income distribution. Another factor, although somewhat remote, would involve the ability of a doctor to stimulate collections. This factor would have some relevency for the smaller group where there is a more active participation by the practitioners in the business affairs of the group.

Other factors bearing upon income distribution would involve the internal organization of the group in terms of a department or section. When two or more doctors make up a section dealing with a particular specialty, then such matters as the number of new patients referred to or away from that department, value of the work done by the department in terms of comparable costs in solo practice for the same specialty, and collections as a result of work by members of that department are pertinent to income distribution. An additional factor, which has some bearing in this discussion, is one in which the existing group extends an invitation to an established practitioner to join the group. Of importance here might be the practitioner's prior income before joining the group. The reasons for this are obvious and need no elaboration.

Of comparable studies by the Bureau of Medical Economics of the American Medical Association in 1950[31] and by Medical Economics Magazine in 1949,[32] a group of seventy-three physicians in group practices had their income distribution compared with that of practitioners in solo practice according to the number of years in practice. The mean net income of the group doctor, as compared to the solo practitioner for the first ten years in practice, was comparable. Between the eleventh to twentieth year, the group practitioner earned about $1,000 more than the solo practitioner. In the third decade of practice, the group practitioner earned about $6,000 more and in the fourth decade, the difference was in excess of $9,000 in favor of the group practitioner. The mean net income over the entire period was $14,253 for the group practitioner and $11,300 for the solo practitioner.

The factors which bear upon the income distribution of a group practice have been discussed at some length. Various types of income distributions are based upon varying formulae. It would be impossible to describe every combination of remuneration for the practitioner, but several representative types are worthy of extended discussion. In the matter of partners in a group in which there are no employed practitioners and the number in the group is small, all of the expenses would be paid from the gross receipts. A certain percentage may be set aside for reserve or contingency (generally 2 to 5 percent) and of the remainder, 50 percent is divided equally and the remaining 50 percent is divided and prorated according to volume of work produced or other factors. This would be considered the basic "arrangement" of income distribution. A less desirable method of distribution involves a basic salary for each partner based upon prior income, and the net proceeds after reserve deductions might be divided according to the volume of work produced. This latter method would be especially appropriate for several practitioners who decide to combine their solo practices into a group. For a small group already in existence and which decides to expand, it may add to its numbers by employing a practitioner at a fixed salary with

a small percentage of the net. The percentage of net may be set to increase over a period of years to an agreed term after which the practitioner may be voted full partnership with a full share of the net. Any full partner who may die or voluntarily decide to leave the group may be paid (or the estate paid) an equity of the last full year's net income.

In the matter of senior-junior partnership arrangements, each may draw an equal percentage of the net income with title to property and instrumentation in the hands of the senior partners. A formula for junior partners to become senior by some agreed regular payment to the senior is often arranged. If senior partners die, their estates may be paid an amount of prior agreement. If a junior partner dies, a lesser amount may be paid. A formula for voluntary retirement from the group may also be arranged.

In the smaller groups (under ten full-time practitioners), senior partners may make an arrangement whereby a relatively high percentage of their gross income is kept monthly up to an agreed amount beyond which a higher percentage of the gross is kept. The junior partners would keep a lesser percentage than the senior partners, and all remaining funds would accrue to the group and be divided, after expenses and reserves, to all partners equally. Further, a formula for providing financial return for referrals within a group can be agreed upon. With his investigation, the writer found considerable use of payment for referrals and questioned the legal and ethical status of such a practice. It is not too terribly different from outright "fee splitting," except that the fees paid remain in the group.

With regard to a partnership of a large number of practitioners (over twenty), there is usually a steering or executive committee which operates the group and which is elected by the entire group. The persons on the executive committee are those who have been associated with the group for a considerable period of time. All partners receive a salary based upon volume of practice plus a share of the net income. Employed doctors may receive a salary and, after a fixed period of time, be voted a partnership. The assets of the group are generally held by the corporation in which each partner holds shares. When a partner dies or retires, it is mandatory that his shares be sold back to the corporation. In addition, an equity by prior agreement would be paid.

In the category of groups in which there are partners as well as employed personnel, the financial circumstances differ from those described. In a partnership involving seniors and juniors, the partners receive a salary plus a share of the net income (as discussed). The employed physician would receive a fixed salary plus a small share of the net income. Only the senior partners would have a voice in the affairs and policy of the group. A formula for a junior partner to become senior would exist by prior agreement.

In another formula of income distribution, all partners would receive a similar share of net income with the share declining in his later years. A formula for employed doctors, who receive a salary to become partners, may be arranged. It is also likely, in this type of arrangement, for the share of the net income to vary with the number of years the practitioner has been with the group. This arrangement is especially prevalent in groups in which the practitioners are on equal or comparable professional standing—that is, each with certification in a specialty board or each being a general practitioner.

Another method of income distribution involves both the owners and the employed doctors receiving fixed salaries and, at the end of the year, the net proceeds are divided among the partners with the employed doctors receiving a bonus. This matter of the bonus would certainly depend upon the yearly return, as well as the worth of the doctor to the group. This is the method used by those groups which develop senior-junior partnership arrangements. In a new venture, the senior partners are generally those who can contribute most in terms of facilities and equipment. Those that are designated as senior arrange to receive a higher share of the net proceeds for a given period of time while the junior partners receive a lesser share. After the period has elapsed (three to five years) the junior partners receive full status and all partners share equal bonus.

It should now be obvious that the number of combinations and alterations of these methods constitute about as many groups in practice as exist. Nevertheless, their income distribution is dependent upon one of the above basic patterns. It should be noted that in most group practices, where multiple owners exist, consultants to the group who are called in for specific professional advice generally are paid by receiving a percentage of the fees charged to the patient. With regard to night home calls, it is generally accepted that fees paid for such services may be kept by the doctor rendering the service. He would most often be the new, young practitioner.

The remaining category for discussion of income distribution is the non-profit groups in which all of the personnel are employed. In the industrial group, all of the personnel are on a fixed salary basis including the medical director who acts in the capacity of the head of one branch of the company and reports to a vice-president. Generally, the type of care seen is one of routine character or emergency nature. But all complicated cases, or those requiring special consultation and management, would be sent to the local hospital. Safety, prevention, public health and rendering professional services to maintain optimum physical performance are the duties and aims of the industrial group.

In the consumer group, labor health center, or association cooperative, physicians receive a salary fixed by the lay board which has ultimate responsibility for management of the group. A bonus arrangement is also used. Professional matters are vested in the medical director appointed by the lay board. The medical director would be responsible to the lay board, and he would have considerable influence in the determination of the salary and bonus of each practitioner.

In the voluntary hospital group, physicians are on a straight salary. The medical director has considerable authority in the determination of salary of all employed personnel including the department heads. Salaries are, again, dependent upon the value to the group, seniority and volume of practice. Adjustments in salary may occur with increase in receipts by a department. While only the trustees have the authority for such matters, it is most often the medical director who determines salaries and raises subject to the confirmation of the trustees.

Economics of Group Practice—the Patient

Group practice may be financed in a number of different ways. The most direct method of patient payment is fee for service—that is, the fee is paid directly by the patient to the practitioner who renders the service. There is no intervening third party, and this method is considered to be the classical one in the administration of health services. Where a fee for service system is in operation in a group practice, the monies are pooled and redistributed according to some type of prearranged plan as those previously mentioned. To the nonprofit group practices (and only in some instances in rural communities) gifts, bequests and endowments are utilized when the group practice is clearly of such overwhelming benefit to the public. Perhaps the outstanding example of this is the substantial endowment of the New York Foundation which, in 1945, enabled the Health Insurance Plan of Greater New York (HIP) to lay the essential groundwork for its establishment. The method of subsidy has very significantly and effectively been used to aid and promote group practice. Again, the aid and encouragement of the government of the city of New York played a most important role in the formative years of the HIP. However, as has already been indicated in prior discussions, the enormous growth of group practice occurred after the Second World War when the concept of prepayment was united with comprehensive health services to form so effective a team for the administration of health services. Therefore, the method of prepayment will occupy the major portion of this discussion.

Of the 368 group practices operating in 1946, only 56 were considered to be financed by prepayment methods.[33] By 1949, some 24 group practice prepayment plans[34] were organized as consumer cooperatives with a wide distribution in the southwest and in the middle west. Some were small, but others reached a size so that they operated hospitals of substantial proportion. The growth of the group practice prepayment plans has, during the 1950's, been truly remarkable. The standards and levels of achievement have steadily risen so that the presence of their force on the health care scene has spurred greater interest in group practice and, at the same time, altered many pre-existing concepts. The practice of medicine could never again be the same the day HIP opened its doors.[35]

Four of the leading group practice plans deserve special discussion. The Health Insurance Plan of Greater New York, the Ross-Loos Medical Group, the Community Hospital and Clinic, and the Group Health Association of Washington have all been "pattern setters" for the rest of the field.

The Health Insurance Plan of Greater New York had its beginning in 1943-44 through the efforts of many leading civic minded citizens, through the encouragement and wise counsel of Mayor Fiorello H. LaGuardia (and later Mayor William O'Dwyer) and with the considerable financial assistance of the New York Foundation. It was finally consummated in 1946 by special act of the New York State Legislature subject to the State Insurance Law as a non-profit corporation authorized to sell insurance and solicit contracts with employers and employees on a group basis. The corporate form was very broadly based in the community with prominent civic leaders associated with it as well as leaders of government, industry, banking, philan-

thropy, labor, management, public relations, social welfare, health education and the health professions. The insurance contract that HIP wrote with its subscriber groups agreed to furnish comprehensive health care (within certain limits) in the patient's home, in a center or in the hospital. The HIP then subcontracted with more than 30 medical groups, each of which agreed to abide by the limitations, standards, quality and quantity of care contained in contracts written by HIP. The group then affiliates with HIP as one of its "centers". The services included are:

1. General medical care and specialist medical care; surgical care and obstetrical care.
2. Laboratory and diagnostic procedures.
3. Regular and periodic health examinations and other measures for the prevention of diseases; immunizations.
4. Physical therapy, radiological therapy, and other therapeutic measures.
5. The administration of blood and plasma.
6. Eye refractions.
7. When it is prescribed by a physician, visiting nurse services at home.
8. Ambulance service from home to hospital.[36]

In addition, the group agreed to abide by the standards set for care by the HIP Medical Control Board. Also, if specialist services were required by the patient, he would be referred at no cost to HIP or the patient, but paid for by the group through its special services fund.

The HIP established not only standards and administrative procedures for the professional care rendered but, also, standards for the center, space and layout, hours, scheduling and, most important, the qualifications of the professional personnel associated with the group as well as their assigned functions. It, further, required that each of the groups furnish specialist services in obstetrics and gynecology, ophthalmology, orthopedics, otolaryngology, pediatrics, urology, neuropsychiatry, general medicine, general surgery, dermatology, clinical pathology, pathologic anatomy and diagnostic and therapeutic roentgenology. The overwhedming number of subscribers to HIP are members of occupational groups, business and industrial firms, city agencies, non-profit organizations, (and the dependents of the employees). Two general categories of contracts are written—those in geographical areas in which group centers exist, and those where they do not exist. The subscribers to the latter receive cash payments for their expenses. All subscribers are urged to, in addition to HIP, maintain hospitalization insurance such as Blue Cross insofar as the HIP coverage does not include it except for doctor care while in the hospital. With the adjunct of hospitalization, the coverage of the individual is rather complete and comprehensive in scope. However, there is a wide area of coverage which HIP did not originally offer in its coverage, some of which has been added. The original exclusions were:

1. Medical services for any condition, accident or injury where such services are covered by workman's compensation, veterans status, special legislation, etc.
2. Care for acute alcoholism, drug addiction, tuberculosis, mental or nervous disorders, and chronic illness requiring long term hospitalization in other than a general hospital.
3. Cosmetic surgery.
4. Electrolysis.
5. Dentistry.
6. Prescribed drugs, prosthetics, eyeglasses, hearing aids.
7. Special duty nursing.
8. Medical service for the administration of blood, plasma and anesthesia; laboratory and diagnostic procedures; physical therapy; X-ray or radiotherapy required in a hospital.[37]

Cash payments are made by HIP for insured persons suffering from injury for which hospitalization is necessary but ordered by another physician other than one affiliated with HIP. Similarly, when an insured becomes ill outside of the geographical area served by HIP, cash payment is made. Preventive services are stressed in HIP with the base being a complete and thorough annual examination. In line with the prevention theme, HIP stresses health education through information dissemination to the subscriber. One of the most important contributions made by HIP to the national public health has been through its comprehensive statistical research data analyzed through the years with the use of IBM computation methods. Such items as incidence, utilization and medical experience have formed a wealth of information of an invaluable nature and never before gathered.

In setting premium rates, four general categories were established:

1. Single person earning less than $6,000.
2. Family unit earning less than $7,500.
3. Single person earning more than $6,000.
4. Family unit earning more than $7,000.

The most usual arrangement was for the employer to pay 50 percent of the premium.

Today, the HIP has almost 600,000 subscribers and virtually two-thirds are municipal employees. The monthly premium for the single person under $6,000 is about $3.50, while it is about $4.30 for single persons earning over $6,000. These figures represent an approximate base,[38] at a 1958 level.

If HIP can be described as the great bastion of group practice in the east, then the same can be said of the Ross-Loos Medical Group in the west. It is a privately owned and operated medical organization located in the greater Los Angeles area and was established in 1929 by two physicians, Dr. Donald E. Ross and Dr. Clifford Loos. It is the oldest medical organization of its kind in the United States and has as its guiding philosophy the furnishing of high quality and low cost comprehensive care on a group practice prepayment basis. As of 1958, there were more than 200,000 subscribers in more than fifteen centers with nearly 200 professional personnel on a full-time basis. In 1952, twelve physicians represented the partners in the organization. All professional personnel are paid on a salary plus bonus basis. They are restricted to the centers of the group for practice location, but they are permitted to see private patients there with half of the collected fees going to the group for overhead. The Ross-Loos subscribers are divided into three categories: Group subscribers, individual subscribers and dependents.

The professional services rendered to the subscriber are: Surgical and obstetrical care, medical care, laboratory procedures and physiotherapy, drugs and dressings, hospitalization and ambulance service. The medical care includes complete preventive care, complete care for illness and injury, general examinations when recommended, eye examinations and refractions, drugs and dressings, except vitamins and food supplements, antibiotics, endocrines and liver injections. Hospitalization and bed care include up to 90 days in any one year.[39] As with other programs, certain exceptions are made in the schedule of care. These are injuries and accidents as a result of employment, venereal disease, alcoholism, drug addiction, neuroses and mental disorders, dental care, eyeglasses, hearing aids, blood and plasma, private nursing, services not within fifteen miles of a Ross-Loos center and hospitalization from obstetrical care.

The monthly premium rates are computed on the basis of age with those under 40 paying about $4 per month; ages 40 to 45 paying $4.50 per month; 45 to 50 paying $5 per month; and above 50 years of age paying a monthly premium of $5.50. These figures are as of 1953 and represent premiums for the employed members of a group. Individual members pay $6 per month after a general physical examination for which a fee is charged, and an initial fee of entrance of $6 is paid. The fee does not increase with age. Quite obviously, this represents a clear expression of the insurance principle, that of spreading the risk. With regard to dependents, a reduced schedule of fees for services rendered is charged. As with the HIP, the bedrock of the Ross-Loos program is medical prevention and a high level of quality of professional services through the group effort.

In 1929, a true medical pioneer, Dr. Michael Shadid founded the Community Hospital and Clinic as the first such cooperative in the United States. The writer was enthralled by Dr. Shadid's own work, *A Doctor For The People*,[40] which describes the history of the establishment of the cooperative. With the aid of the sponsoring organization, The Farmers Union Hospital Association, and with meager beginnings, the Community Hospital and Clinic today represents perhaps the most outstanding effort in the area of the Great Plains, The Community Hospital and Clinic is located in Elk City, Oklahoma. Its early history is so outstanding because of the significant contributions made during the great depression. It literally conserved the health of the people of that area at a critical juncture of their history and the nation's history.

Members receive physical examinations, treatment, surgical procedures, eye refractions, obstetrical care, radiological therapy and a comprehensive schedule of other care. Hospitalization is furnished at $6 per day and laboratory, diagnostic procedures, BMR, EKG, X-ray, operating room and dental care are all provided at considerable discount. The estimated number of subscriber members is now in excess of 15,000. Annual dues are about $18 per person and $30 for two. Premiums for families of four are about $40. The 1950 staff included ten physicians and two dentists; however, this figure has significantly increased during the past decade. The professional personnel devote about 50% of their time to subscriber members and the remainder to non-members. As with the other comprehensive programs, prevention and periodic examination is an integral part of the plan. Further, as with the other comprehensive programs, it has been repeatedly statistically proven that comprehensive care with diagnostic and laboratory services available in a group environment very significantly reduces the per capita hospitalization stay.

Thus, the care is considered of a higher quality than solo practice and with less hospitalization, less expensive to the patient.

In 1937, a group of federal employees founded the Group Health Association of Washington, D.C., which provided comprehensive out-patient care through group practice. Today, more than 60 physicians are associated with the group which also maintains a staff of auxiliary health personnel. Dental care was available at moderate rates. The plan now has about 50,000 patients. Members paid a monthly premium of about $4.50 for each adult and $3 for each of the first three children. There was a maximum charge for each family unit. This group does not impose any restrictions as to age or income.

II. Group Practice Today and Tomorrow

Group Health Cooperatives

Since 1956, the group cooperative movement has received significant impetus in the United States with the "natural marriage" of the group practice prepayment plans with the concept of the purchasing cooperative. Their growth and development, as a consequence of group practice, deserve some review here. The aim of the consumer health cooperative is to provide fully adequate health care to all families at a cost that the family can afford. The application of the insurance principle, the group practice of medicine and the principle of consumer cooperation are all at work. The prepaid group practice which provides comprehensive health care is sponsored by consumer-members. Monthly dues, initial entrance fees, etc., differ with each of the programs, but all are similar in character to those described above. The rendering of comprehensive care through group practice is fully evident. It is interesting to note that the consumer cooperatives have fostered the extension of the comprehensive services to group prepaid dental care and group prepaid optometric care—all within the framework of the health center. The important element of the consumer cooperative is the element of control by the consumer-members. The member-users elect a board of directors which retains a business manager and medical director. The former is responsible for all business and administrative affairs, while the latter is responsible for professional affairs. Cooperatives hold regular meetings to discuss general policy in which the doctors and patient-consumers may discuss general health problems. At board of director meetings, doctors are available for consultation. Group health cooperatives have found that this dynamic approach to the exchange of ideas helps to foster better health information and hygiene, and aids in promoting higher quality of services.

> The solution appears to be . . . in some administrative mechanism which will insure professional oversight of medical care within a framework of responsibility to those whose lives and dollars are primarily involved—the consumers. . ."—A. R. and H. M. Somers.[41]

The Group Health Cooperative in Seattle and the Group Health Association in Washington maintain that the factors important in providing high quality health care at minimum costs are basically four. The first and most important is the ownership and operation of health centers which are efficiently managed and professionally departmentalized. The Group Health Cooperative operates three such centers while the Group Health Association maintains two. The former operates two hospitals with a capacity of over 250 beds. The Group Health Cooperative estimates that the cost per day of maintenance of a patient, in their own hospital, averages $7 less than in an outside hospital. The second fundamental reason offered is the adequacy and dedication of the professional personnel, as well as a distribution of personnel in the various areas of specialization. The third factor stressed is preventive health care and a continuous program of health education and information. The fourth factor cited was centralized purchasing under budget control.

In the stress of prevention of illness as an important aspect of the health program the Group Health Cooperative cites in its literature that when the Salk Vaccine became available, 17,000 children were immunized. In the membership, there has not been one single case of polio. With an intensive Asian Flu innoculation program, incidence of the disease was markedly reduced while the community at large was hard hit. The group Health Cooperative cites early cancer detection, glaucoma detection, well-baby and pre-school exams as aiding in the program of prevention.

> "There is mounting evidence that medical care under prepaid group practice has a significant influence in improving the health of its enrolled population. . ."[42]

The Labor — Health Movement

In the discussion of group practice, it would be impossible to ignore the effects of the labor—health movement to foster the centralized comprehensive health care which is the hallmark of their union

health centers. Organized labor represents a potent consumer force of more than 40,000,000 workers and their dependents. They are increasingly in a position to mass purchase their health care, determine high standards of quality of service and, further, determine the environment within which the care will take place. Organized labor has never become significantly identified with the consumer cooperative movement but has separately, through collective bargaining, negotiated for health services. These services have been paid for by health and welfare funds —most often partially or totally created by determined contributions of management. Health and welfare funds, today, represent tremendous accumulated endowments which render organized labor a force of great magnitude in the health field. The Department of Social Security of the American Federation of Labor and Congress of Industrial Organizations estimated in 1957[43] that upward of $500,000,000 a year goes for the purchase of health insurance and services under plans through collective bargaining. Labor's often stated aim in the health field is to seek comprehensiveness of the professional services through an efficient organization of medical personnel.

Labor unions individually (if they are large enough), or in groups pooling their resources, have established an extensive and growing system of health centers for comprehensive health services. Among the most notable in the City of New York are the Sidney Hillman Health Center, the Health Center of the Laundry Workers, Hotel Trades Council Health Center and the International Ladies Garment Workers Union Health Center. Dr. Morris Brand, medical director of the Sidney Hillman Health Center, has estimated that nearly 4,000,000 persons associated with the American Labor Movement have their health needs cared for in health centers under labor's auspices.[44]

I was privileged to serve as a panel consultant at the 1960 Community Services Institute of the New York City Central Labor Council. The discussion by the panel concerned the general growth and development of comprehensive group practice under labor's auspices. Considerable emphasis was placed upon the proposals of the Central Labor Council President, Mr. Harry A. Van Arsdale, with regard to the organization's aim to sponsor its own hospital—health center system as an alternative to Blue Cross and Blue Shield.[45] Wide newspaper coverage and editorial comment prophesied the ultimate destruction of the "Blue" system of health insurance should Mr. Van Arsdale's proposals be adopted. From my knowledge of the devotion and intensity of effort given to this problem by the labor leaders, and from the preliminary "feasibility" study being conducted by the Central Labor Council, one may reasonably expect that the movement for more health centers—many attached to labor sponsored hospitals—will gain momentum toward an ultimate reality.

At the Community Services Institute, I called to the attention of the panel the proposal for a "pilot program" which was proposed in 1958 by Dr. E. Richard Weinerman[46] at the Washington, D. C., National Conference on Labor Health Services sponsored by the American Labor Health Association.

> The proposal calls for a pilot multi-union health center to be established in such fashion that no existing welfare fund would be disrupted, no involuntary enrollment would be required and a small service structure would be assured. A number of unions in one city would join forces for the demonstration and would provide representation on the policy board. A part of the community, preferably a workers' residential area, would be designated as the health service area—small enough to be adequately covered for house calls and emergency care, and large enough to provide sufficient enrollment for a sound insurance lease and the demonstration health center would be established in this area, staffed by a partnership of physicians desiring to practice under group arrangement.

It would seem, therefore, that New York City may be the "pilot project" for an extensive effort to form such a proposed system.

The Group Health Association of America

The development of group practice, as a potent force in the administration of health services, has had a major deterrent in the form of adamant opposition of the organized medical profession. As a consequence of this opposition, those pioneers in public health administration sought to "band together" to discuss common problems and to foster the concept of group practice. The Group Health Association of America was organized in 1959 when the American Labor Health Association united with the Group Health Federation of America. The Federation was founded in 1937, and the former was

founded in 1952. The Group Health Association of America has members in the United States, Canada and Mexico. It is an association of prepaid group health plans, other organizations, and individuals working to bring modern medical and health care within the reach of consumers. Its active and associate member health plans, sponsored by cooperatives, labor unions and other community groups, provide urban and rural people with direct health care through clinics, health centers and hospitals, as well as health benefits through insurance arrangements.

The Group Health Association of America contends that it supports consumers' rights to take the initiative and sponsor programs to solve their health problems. It supports the rights of professional men to make mutually satisfactory agreements with non-profit, consumer-sponsored health programs. It promotes health programs which feature prepayment and comprehension of services, group health practice, non-profit plans providing services at cost, control of policy and administrative functions by or in the interest of consumers of health services, and professional practice and standards established and controlled by qualified professional health personnel. Each year, the association sponsors a Group Health Institute for the exchange of information and for the promotion of group practice. New ideas are explored and presented for public discussion.

This writer attended the 1959 Group Health Institute held in New York City and had the opportunity to meet some of the leaders and discussants of the Institute. The program and plans discussed are filled with a broad sense of enthusiasm for the further development of group practice as an optimum, desirable means to administer health services.

The Humphrey Health Centers Act

Were it possible to outline the two most significant factors retarding the further development of group practice, either under private or voluntary sponsorship, it would not be difficult to cite the opposition of the general and organized medical community as one, and the lack of funds to build and equip a facility as another. Over the years, the weight of statistical evidence of the "worth and goodness" of group practice to the community and to the practitioner have had their impact. There is every reason to believe that the "privateness" of practice is lessening and giving way toward the group environment. In personal discussions with young practitioners of several professions, I have found that attitudes have definitely been altered. Some say that it is "fashionable" to be a part of a group—that this, in fact, increases your effectiveness and acceptance within the community. But no matter what the change of attitude, the fact still remains that a major deterrent to group practice is still the initial cost of building and equipping a health center.

Aside from his political liberalism, Senator Hubert Humphrey of Minnesota has, in his writings and in his speeches, been a progressive and astute thinker and has championed many new ideas and concepts. In May 1959, Senator Humphrey introduced a bill, S2009[47] which struck like the proverbial bolt of lightning at the heart of the problem confronting group practice. Essentially, the bill would enable the federal government to extend long term, low interest bearing loans to non-profit groups to enable them to build and equip health centers for group practice throughout the country. The loans would finance the cost up to 90% with the group bearing the remaining 10%. The extent of the loan was up to 40 years, and the interest was 3%. The bill also provided that the group practice be insurance underwritten by private carriers under the principle of prepayment. Humphrey wisely added an additional provision which called for overall administrative jurisdiction of the group by a board of trustees composed of a majority of lay persons and overall professional supervision by professional persons only. Thus, questions of policy were left to the trustees who represented the sponsoring group. In this way, the Humphrey Bill was drawn up so that it would apply to publicly sponsored prepaid group practice. It was the first government sponsored legislation which recognized the trend toward the centralization of health facilities and also the financial problem involved. It recognized the right of free enterprise by citing the private insurance carriers as needed for the prepayment principle. It understood the need and desire of the consumer cooperatives to promote their own health care. It gave additional meaning to the needs of the labor health movement by enabling the provision of substantial funds for building and equipping new union health centers. In the original proposal of the bill, the argument was raised that if the bill was passed, every local union organization or every small consumer group would desire to build its own health center; that utilization and duplication would prove to be

inefficient; and that the health community could only support a limited number of such health centers. As an addition to the original proposal, Senator Humphrey added the provision that in the event of need, the health center would be opened to the community for means of fair compensation. In other words, those health centers built at government expense but sponsored by a semi-private consumer group, could enable the private citizen and his family (not a part of the consumer group) to avail themselves of the facilities of the center. Thus, the "mechanical" principle of operations was advanced one step further in the history of group practice. This principle of community participation, as well as the principle of government financial aid, is marked by the Humphrey Bill as a significant milestone in furthering group practice. It was, truly, the first attempt to aid group practice through government effort.

The reaction to the bill was in many ways surprising. The organized professions were satisfied that there would be no lay interference in professional matters. The labor and other consumer groups were satisfied that the sponsoring group could set the "tone" and policy for the center. The private insurance carriers were pleased that they would effect the insurance underwriting of prepayment. The elderly groups were pacified that they could avail themselves of the center's facilities. The economists were pleased that this was no giveaway but that it was a long term federal, interest bearing loan. The only aspect restrictive about the bill was that it was limited to non-profit sponsoring groups and excluded private group practices. Everyone in the health and government communities recognized the worth of such legislation, but the bill died in the Senate Labor and Public Welfare Committee. The bill was objected to by the Bureau of the Budget because it set no limit on expenditure. Nevertheless, in spite of its death, the bill created a new hope for group practice and a new climate of thinking both in and out of government. The die was now cast for some other piece of legislation similar to the Humphrey Bill.

The Medical Construction Omnibus Bill

In June 1960, the Secretary of Health, Education and Welfare, Arthur W. Flemming,[48] submitted to the Congress the administration's proposal for aid to health education, aiding medical, dental, etc., schools to finance new construction, modernization of laboratory and research facilities, etc. Tucked away within this omnibus bill was authorization for the federal government to guarantee by bonds, loans to finance group practice up to an amount of $30,000,000 per year and that each year $30,000,000 would be made available. The program of guaranteeing loans by federal bonds would extend over a five-year period for a total of $150,000,000. The program would be under the administration of the Surgeon General of the United States Public Health Service. Because this proposal made no distinction between non-profit and private group practice programs with no statement about the prepayment principle, it was deemed to be less specific, broader then the Humphrey Bill but meeting the money limit objection of the latter. The bill will, most assuredly, be amended to seek an extension of the $30,000,000 limit but, with amendment or without, is expected to pass. With government (or more correctly, administration) recognition of the need to foster and aid group practice in the form of enabling financial assistance, the scope and concept of group practice will be assuredly advanced in the sixties.

The Kellogg Center Health Conference

The Governor of Michigan, Honorable G. Mennen Williams, has expressed the concern of many leaders in government, industry and the civic community about the general problem of health care. Accordingly, early in 1960, he invited 12 leading specialists in health to meet with him at the Kellogg Center of Michigan State University to discuss health care in the United States, the needs, challenges and solutions. This conference was held on April 1st, 2nd, 3rd, 1960, with Governor Williams, himself, setting the tone and objective for the conference. He said:

"Health is a major human value. When we plan health programs we run into manpower shortages and financial problems. The costs of health care are at an all time high. But the social cost to our nation of failure to provide health care is prohibitive. Unfortunately, discussions of national health problems are cloaked with myths and scare-words. We must cut through this and provide positive and workable programs to meet the people's health needs. . . ."
—G. Mennen Williams.[49]

When the conference was concluded, a brief was prepared which cited the principles and problems as well as some of the challenges. Foremost among the challenges was the matter of *health* facilities.

"We also need professional schools with

extensive teaching and research facilities, group medical practice centers, diagnostic centers and public health facilities. . ." [50]

In the matter of public health organization:

"It has been demonstrated that deficiencies can be greatly lessened by group medical practice, whereby a number of physicians pool their skills, facilities and income, and coordinate their work so as to supply to ambulatory and bed patients effective personal services and high quality of care. Group practice in instances with remuneration of physicians on a salary rather than on a fee-for-service basis has demonstrated it can provide comprehensive medical care as well as care in the specialties. The extension of group practice should be encouraged. . ." [51]

From the standpoint of finances, the conference concluded:

"Two trends in the current situation offer real encouragement: (1) the increasing use of the hospital as the center of health activities in the community; and (2) the growth of group practice. Both of these developments increase our potential for planning the most effective use of our limited health facilities. . ." [52]

The conference recommended, among other things, expansion of health facilities through an increased Hill-Burton program of the hospital. As a base for organized, full-time group medical practice, that federal legislation should be passed which would encourage the development of nonprofit group practice clinics by providing long term, low interest loans—not only to meet their need for a highly specialized type of facility, but also to recognize their significant and hopeful role in meeting the nation's health goals.

Although the conference had but 12 participants, it has received such considerable interest and attention nationally, that its resultant effect has been a remarkable one. The conferees represented some of the best minds in health administration, and they are all nationally recognized and respected. This "quiet" conference has served to crystalize the role of group practice as a vehicle for better organization of health services to meet the challenges of the future. In fact, its simplicity and clarity are beyond question. It has, in a few short months, gained the stature of authoritativeness and is quoted over and over again. What other conferences had done in the past to delineate needs, the Kellogg Center Conference was eminently successful in deriving a blueprint for the future. And, intimately tied to that future was the furtherance of group practice.

Other Federal Legislation

Worthy of brief mention are two pieces of federal legislation which relate to or potentially relate to group practice. The first is the Federal Employees Health Benefits Program. The enabling legislation was passed late in the 1959 session of the Congress. It authorized the United States Civil Service Commission to establish, in behalf of the federal government as employer, a program of health care for all federal employees. The program went into effect in July, 1960, giving the employee the right to choose from among several plans including the one under which comprehensive care would be rendered by prepaid group. The other plans were less comprehensive and, thus, less expensive. The Civil Service Commission on August 1, 1960,[53] indicated that almost three-fourths of all employees chose the most expensive and most comprehensive care available in their community—that where HIP type coverage was available, it was predominently chosen. This can, without erroneous inference, be interpreted as an expression for more comprehensive coverage. That group practice offers the organizational means for undertaking such coverage is reflected in the employees' choice. Pending before the Congress is a similar measure which would extend coverage to retired federal employees. In both instances, the federal government pays one-half the cost of premiums.

There has been considerable public discussion about federal aid for health care of the aged. Synonymous with this type of legislation has been the name of Representative Aime J. Forand. While no legislation has yet been passed (at the time of the writing of this paper) some measures, namely the bill sponsored by Senator McNamara would aid the aged by providing diagnostic care in out-patient facilities as well as hospitalization. It is clear that group practice has a large role to play in geriatric care.

The Case for Group Practice

In my opinion, comprehensive group practice has been "tested and experimented with" during the last years on a mass basis, and it is ready to offer itself as the vehicle for the future administration of health services. With greater insurance coverage, more comprehensive health services required, more emphasis on preven-

tion, the need to meet increased health costs and the necessity to more efficiently integrate specialty services in health care, group practice seems ideally suited to meet those requirements.

Three avenues of approach seem open for group practice. The first is to expand group practice by hospital and clinic staffs shifting the emphasis to paying patients with adequate and proper payment for the practitioners who are on a full-time basis. The second mode of expansion would be in terms of private group practice in the group clinic where comprehensive services are offered properly utilizing the talents of specialists. The third area of growth extension would be by allying health insurance with the above two types of group practice assuring a sound prepayment plan and an economic base for the group.

Dr. Will Mayo summed up the case for group practice when he said:

> "As we men of medicine grow in learning, we more justly appreciate our dependence upon each other. It has become necessary to develop medicine as a cooperative science, the clinician, the scientist, the specialist and the laboratory workers uniting for the good of the patient. The people will demand, the medical profession will supply, adequate means for the proper care of patients which means that individualism in medicine can no longer exist. . ."[54]

Perhaps the most important ingredient, more than any other, in the development and creativity of group practice—and, indeed, in all new forms for the betterment of the administration of health services will be the willingness of the professions and its practitioners to work for progress in health care. That may, and probably will, mean an abandonment of the traditional concepts of solo practice. The literary wisdom of that great Belgian, Maurice Maeterlink, is especially applicable.

> "At every crossway on the road that leads to the future, each progressive spirit is opposed by a thousand men appointed to guard the past. Let us have no fear lest the fair towers of former days be sufficiently defended. The least that the most timid among us can do is not to add to the immense dead weight which nature drags along. . ."[55]

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Mr. BARRETT. Thank you, Dr. Haffner.

I just want to ask you this question for the record.

Your testimony will indicate to me that you are for H.R. 9256?

Dr. HAFFNER. That is correct.

Mr. BARRETT. The only fault you find with the bill is that optometrists are not included in it?

Dr. HAFFNER. That's right.

Mr. BARRETT. This is your main reason for appearing here this morning?

Dr. HAFFNER. That's right.

Mr. BERRETT. I am quite sure the committee will give this consideration and the time will come when we will be marking up the bill and I am quite sure your very fine representative from the Bronx will be heard on this subject.

Dr. HAFFNER. I might, if I may, Mr. Chairman, add one additional word.

Our Optometric Center in New York, which is a member of the Group Health Association of America and which I cited in the testimony, ultimately will evolve into a new college of optometry, most probably at the City University of New York. This new institution certainly will be oriented toward the growth and development of group practice among optometrists as well as with optometrists and comprehensive health care facilities, with physicians, dentists, and other health practitioners.

We believe that this represents the need of the future and certainly this will be an integral part of the teaching program. Surely we would want to see optometry included in this bill, and not to include, we feel would be a serious error.

Mr. BARRETT. Mrs. Dwyer?

Mrs. DWYER. If this bill is passed and optometrists are included, I would like to know what the facilities cost of optometry in a clinic such as this bill envisions—what the cost would be? I realize of course it will vary throughout the country. But about what will it average—what will be the average range?

Dr. HAFFNER. We suggested there were five optometrists participating in a single discipline group and we would estimate the cost to be approximately $50,000. Where five optometrists participate in the comprehensive health care facility that portion of the facility would be $50,000. It would enable a broad spectrum of services to be rendered within the specialty areas of optometry.

Mr. DWYER. Mr. Haffner, what can we anticipate in the way of asistance? What would you envision this to be?

Dr. HAFFNER. We have estimated that the numbers of optometrists presently in practice in the country who are in one phase or another of group practice constitutes almost 18 percent. We believe that's a rather large figure. Optometrists have been socially oriented in terms of operating together. I suspect that the bill would act as a further encouragement to the establishment of group practices, far beyond the 18 percent. I also suspect that the bill would do another thing. It would permit those groups already in existence to broaden their services to make their services more comprehensive within the area within which they practice. So I think it would have two effects.

As to a figure, I really don't think I am prepared at this time to give you a figure, although the point is interesting.

Mrs. DWYER. Have optometrists been able to obtain SBA loans in the past?

Dr. HAFFNER. Yes, we have. There have been some who have not not been able to obtain loans because loan funds were short. But if I can step back from that and take a look at this from the standpoint of public social policy, I think the existence of the bill constitutes an encouragement for a desirable form of health practice and I think perhaps that this is one of the most important aspects to the bill.

Mrs. DWYER. Of the $50,000 you estimate as the average cost, could you break this down into housing and facilities?

Dr. HAFFNER. I am thinking of the $50,000 primarily in terms of internal—of the internal portion, namely the instrumentation, equipment, the professional armamentarium. I'm not thinking in terms of the housing, the structure which houses it. I don't know whether I would be prepared to make an estimate of what the building portion of it would be. It would vary in different areas, of course. But I could give a very rough estimate of the area need for a five-man group practice utilizing an internal position of $50,000. I would think that it would be at least 3,500 square feet of space and that would include all clinical areas, patient areas, administrative areas, recordkeeping and so forth.

Mrs. DWYER. Your emphasis is really on facilities?

Dr. HAFFNER. Yes, it is.

Mrs. DWYER. Thank you very much.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. Just one question, Dr. Haffner.

Do you feel there is really a need for a priority for the nonprofit organization and prepaid plans?

Dr. HAFFNER. I believe there is a need for the establishment of priorities. I think that if this bill is passed, it would act as an encouragement to the development of more group practices and to the improvement of existing group practices. I believe that as the administration of the bill gets moving, the money might not be sufficient and the priority section as outlined in the bill is a necessity. I do believe so.

Mrs. SULLIVAN. Thank you. That's all, Mr. Chairman.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Dr. Haffner, is your organization still conducting the highway safety program down in Indiana University?

Dr. HAFFNER. Yes, it is.

Mr. HARVEY. I think you should be congratulated and this committee should be aware of it. It is certainly further ahead in the highway safety program than the automobile companies. I for one have corresponded at one time or another on that. I have much admiration for some of the experiments you have conducted.

Dr. HAFFNER. If I may comment on that, the Indiana University, Division of Optometry, primarily through the work of Dr. Merrill Allen who is professor of optometry and Dr. Hoffstetter who is the dean has been interested in the matter of highway safety, especially from the standpoint of the visual problems of the motorists.

May I say as well, that the existence of group practice lends itself to more research of a clinically oriented nature. This is something that we don't ordinarily get from private practice. So, Congressman

Harvey, if research is a major factor and concern on the part of the Congress, and I am sure it is, then the existence of group practice and the fostering of group practice likewise has a secondary effect of fostering patient-oriented research. This is extremely important.

Mr. HARVEY. Particular research is being done on the campus of the university; is it not?

Dr. HAFFNER. Yes, it is, but it is being conducted in large part through the clinical facilities at the school.

Mr. HARVEY. You are the executive secretary of the association, is that correct?

Dr. HAFFNER. No, sir, I am the executive director of the Optometric Center of New York.

Mr. HARVEY. I see.

Dr. HAFFNER. I direct the institution.

Mr. HARVEY. Let me ask you, in that capacity, have you received any letters or do you know of any specific instances where doctors of optometry have been denied the opportunity to practice as a group because of lack of financing? Have these specific instances been called to your attention by letter or complaint to the association that you know of?

Dr. HAFFNER. I believe that the American Optometric Association has on file a number of instances where these small business loans were not available to optometrists who were desirous of entering a group practice. I believe that is so. And I think that can be provided.

Mr. HARVEY. Are you telling us that because they were not able to get these small business loans they were not able to go into group practice or they were not able to go into group practice on as favorable terms as they otherwise would be able to?

Dr. HAFFNER. I would not know the specific instance, but I would judge it would be as a deterrent. The initial cost of the building and equipment constitutes a major deterrent.

Mr. HARVEY. Can you cite here today or can Mr. McCracken any specific instances anywhere in the United States about optometrists being denied the opportunity to practice in this matter because of the lack of financing? I asked that question not to put you on the spot, but again, because in the State of Michigan, in the banking industry our optometrists are looked upon very favorably with very high credit ratings and they are leading citizens and they are by and large good risks and I have not known them to be turned down by any lending organizations.

Dr. HAFFNER. There is a center in East Lansing which is a fledging institution very closely tied to the needs of the community and I have been in touch, particularly with Dr. Britton who is one of the principals in the institution. They are particularly concerned with this area because they feel as well that such a bill would enable the institution to get started.

Generally, when you have an institution which is nonprofit, it is not within the purview of the Small Business Administration. So for the moment that institution, though it is a community group practice would not have the opportunity to borrow substantial funds for buildings and equipment.

Mr. HARVEY. Is it not true that the doctors themselves could go to the banks and sign, and a lawyer could go down—they have no trouble borrowing the money?

Dr. HAFFNER. I am sure that is true.

Mr. HARVEY. You are not telling us in Lansing or East Lansing that they are having trouble borrowing money?

Dr. HAFFNER. I wouldn't think so.

Mr. HARVEY. No. The answer is, the same for the dentists and the same for the physicians, and it is that they do have good credit and they are able to borrow at the present time under conventional terms.

Dr. HAFFNER. Sure.

Mr. HARVEY. Thank you.

Mr. BARRETT. Thank you, Mr. Harvey.

Dr. Haffner, all time has expired and we certainly appreciate your coming today. You have given splendid testimony in your statement here this morning. Thank you very much.

Dr. HAFFNER. I am most obliged to you, sir.

(The following letter was submitted for the record:)

PENNSYLVANIA OPTOMETRIC ASSOCIATION,
Hershey, Pa., March 14, 1966,

Congressman WRIGHT PATMAN,
Chairman House Banking and Currency Committee,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN PATMAN: The Pennsylvania Optometric Association urges your favorable consideration of H.R. 9256 along with the "optometry" amendments as presented by the American Optometric Association.

Group practices are a way of providing good health care but they must be provided by all health disciplines. To offer restricted care and not include optometric visual care would be to hinder the growth of our excellent health care.

Sincerely,

RAY L. KINCH, O.D., *President.*

Mr. BARRETT. For next witnesses we have an array of very distinguished gentlemen and we have one of our former colleagues here this morning. He was one of the most capable men in Congress during the time he served here in the House.

We are going to ask Mr. Jerry Voorhis, who is the executive director, representing the Cooperative League of the United States of America and the other witnesses to come forward.

We also have Mr. James Brindle, president, Health Insurance Plan of Greater New York, representing Group Health Association of America, and Mr. James F. Doherty, legislative representative, AFL–CIO, accompanied by Mr. Richard Shoemaker, assistant director of the AFL–CIO Social Security Division.

Gentlemen, it is customary that we welcome you and make yourselves at home and I think the choice as to who desires to speak first should be agreed upon among yourselves.

Mr. VOORHIS. I think Mr. Brindle will be first.

Mr. BARRETT. Jerry, I want to say this, it is nice to see you back here again. It has been a long time since I have seen you. You certainly have been one of the most energetic Congressmen I have ever met on the Hill.

Mr. VOORHIS. I appreciate that very much. As a Congressman that was, you can imagine how kind that is from one who still is. I am very grateful.

Mr. BARRETT. To your associates here as well, I am hoping they can get the feeling that they are at home here and make their statements and we will be glad to start with Mr. Brindle.

STATEMENT OF JAMES BRINDLE, PRESIDENT, HEALTH INSURANCE PLAN OF GREATER NEW YORK, ON BEHALF OF THE GROUP HEALTH ASSOCIATION OF AMERICA; ACCOMPANIED BY DR. W. P. DEARING, EXECUTIVE DIRECTOR, GROUP HEALTH ASSOCIATION OF AMERICA

Mr. BRINDLE. Mr. Chairman and members of the committee, my name is James Brindle. I am president of the Health Insurance Plan of Greater New York, an active member organization of Group Health Association of America. With me are Jerry Voorhis, president and executive director of the Cooperative League of the United States of America and secretary of Group Health Association of America, Dr. W. P. Dearing, executive director of Group Health Association of America, and Gibson Kingren of the Kaiser Foundation Health Plan. My testimony today is on behalf of Group Health Association of America and in strong support of H.R. 9256.

Some background on Group Health Association of America may be helpful in evaluating my support of H.R. 9256.

Group Health Association of America is a nonprofit organization dedicated to improving the availability, efficiency and quality of medical care. Toward this end the association works especially for the creation and expansion of group health prepayment plans. These plans are actually organizations of consumers and physicians banded together to provide comprehensive health care on a nonprofit basis directly to the individual through group medical practice. The consumer pays a regular monthly fee, in advance, for his health care.

I would like to emphasize some key words and phrases in this definition of Group Health Association of America and apply them to the reasoned need for H.R. 9256.

Very important is the word "nonprofit." It represents a blessing to the consumer, we believe on the basis of our experience, in the form of more quality comprehensive medical care for the dollar. Yet it represents years of financial difficulty and frustration for consumers who establish sponsoring organizations to try to build a modern group health program.

Our hope is that you will make it more feasible for these nonprofit groups of consumers, working cooperatively with physicians, to finance group health plans.

Groups of physicians seeking financing for profitmaking medical enterprise seldom have trouble getting financing from their local banking institutions or, in the case of loans of major size, from outside banking and insurance firms. When well-to-do physicians with established practices plan to build in prosperous communities, money for capital expenditures is readily available. For such commercial and profit-oriented ventures, doctors have also found the door of the Small Business Administration open to their needs.

Many nonprofit group health plans have had quite different experiences. What is required in the consumer's interest and what must be offered to attract physicians to an economically deprived urban or rural neighborhood may not offer the most attractive prospect for venture capital. Location and design of a consumer-sponsored medical group facility is based on health service requirements rather than

solely on fiscal attractiveness. Planning here is for people—not profits.

Even for programs that do not involve prepayment, there are areas such as New York City where it is very difficult to attract numbers of highly qualified physicians into practice. I think Harlem is one of the instant areas.

The agonizing trials of Group Health Association of America affiliates in securing adequate financing is repeated several times in documents presented to the Committee on Interstate and Foreign Commerce in its hearings on H.R. 2987 conducted last year. They can be found in the record of the 1965 hearings at pages 313–317.

The expressed need today is greater. The Medical Foundation of Bellaire, Ohio, is a nonprofit community health organization whose affiliated 16-physician Bellaire Medical Group serves seven Appalachia counties in Ohio and West Virginia. This foundation now reports need for financing $1,230,000 of construction, compared with $500,000 to $800,000 reported at the time of last year's hearings.

Group practice plans in St. Paul, Minn., and San Diego, Calif., which reported no construction financing needs last year now state they need respectively $750,000 and $625,000 of financing for needed expansion.

Starting a new plan depends on adequate financing. Just this week I was in New Haven, Conn., where there is a vigorous movement for the development of a group practice facility. This project is unusually important because, although primarily for comprehensive patient care on a prepayment basis, it would operate in the Yale-New Haven Medical Center, where it would also serve as an education center to train future physicians in family type medical care in a group practice setting. The project is sponsored by the Greater New Haven Central Labor Council and other consumer groups and has been assured of cooperative participation by the joint board of the Yale University School of Medicine and the Yale-New Haven Hospital. They are confronted with the immediate need for financing of $750,000 for a new facility and an additional $500,000 for later expansion.

Appended are copies of statements from these and other organizations regarding needs for financing.

They represent, gentlemen, a story of lost time and dollars, of dedicated men having to pay exceedingly high interest and amortization rates when loans were gained and of men tapping their operating capital to secure as much as two-thirds of the total loan. That has been our own experience in New York City.

A brief note was sent by me, as president of the Health Insurance Plan of Greater New York, at that time. In it I noted that after great difficulty in securing any financing in our early days—between 1945 and 1955—we are now able to get a certain measure of facilities financing. But only up to about one-third of the capital cost. This has forced HIP and its affiliated group partnerships to use assets to carry the other two-thirds of all construction costs. Further, under New York State insurance law, there are serious limitations on HIP's ability to use funds for facilities.

To operate in this financial straitjacket has meant that at times we have had to settle for less than adequate facilities and locations for our medical group. We have been delayed for years in relocating, mod-

ernizing, and expanding our medical centers to meet the demand in certain areas. This year we need new facilities urgently. Within the next 2 or 3 years we will require another five centers providing comprehensive medical care. Passage of this legislation will bring these medical care units into being faster and with less difficulty.

The sick want and need our attention. We wish to provide it. We cannot—for the lack of available financing under reasonable terms. That is one reason why we urge favorable action on this bill.

A second key phrase pertaining to group practice is "comprehensive health care." This embodies utilizing as extensively as possible the virtual explosion of medical knowledge and equipment that have, during the past 30 years, vastly increased the power of modern medicine to save life and restore and preserve health. Yet this explosion of medical knowledge has produced fragmentation of service to the patient among an increasing array of specialists and the family physician. Group practice plans eliminate this fragmentation and provide essentially "one-stop" medicine.

The comprehensive, nonprofit group health programs have been hailed by many as a significant means of delivering medical care to those in need.

President John F. Kennedy, in his health message to the Congress in 1962, said:

> Experience in many communities has proven the value of group medical and dental practice, where general practitioners and medical specialists voluntarily join to pool their professional skills, to use common facilities and personnel, and to offer comprehensive health services to their patients. Group practice offers great promise of improving the quality of medical care, of achieving significant economies and conveniences to physician and patient alike, and of facilitating a wider and better dstribution of the available supply of scarce personnel.

President Johnson, in his health message to the Congress this year, noted that:

> Group practice benefits both physicians and patients. It makes expert health care more accessible for the patient. It enables the physician to draw on the combined talents of his colleagues.

May I add that it also requires substantial investments in specialized buildings and equipment.

The very cost of complex equipment needed for diagnosis and treatment, together with the specialization demanded by the exploding volume of new knowledge in the medical field, has made the nonprofit group health movement a growing necessity for informed consumers.

The U.S. Public Health Service reports a substantial increase since 1946 in the number of medical groups as well as in the number of doctors participating in group health practice. However, the growth of consumer-sponsored group practice prepayment plans has been impeded by the difficulties they face in raising the capital necessary to build and equip their facilities.

Because of the heavy emphasis on preventive medicine, and the controls inherent in these consumer-oriented plans, the 5 million Americans enrolled in GHAA-associated organizations spent, on the average, 40 percent less time in our Nation's crowded hospitals in 1962 and 1963 than did patients covered by Blue Cross-Blue Shield or indemnity plans. Obviously this represents an economic and social gain, on a national scale, which deserves recognition and support.

A major barrier to the extension of this nonprofit comprehensive health care to many more millions of Americans is provision of capital loans that can be made available only through Government guarantees and a standby Government loan program when mortgage money is not available through private sources.

Gentlemen, you are well aware of the medical squeeze that our Nation is facing. Elderly people will be utilizing the coverage provided by the Government's supplementary medical insurance plan. Our population is increasing at a rate far outstripping the flow of new doctors. Prosperity and scientific advance are engendering a demand for more and better care. The increasing level of education is making millions more Americans aware of both the symptoms of illness and of the availability of treatment.

The war on poverty, furthermore, will generate massive and welcome advances in each of these areas.

We of GHAA want very much to help, and our affiliated plans want to be in a position to help the people achieve better health care.

As Churchill said, "Give us the tools."

We do not want a handout. We are not asking to be federally supported.

Citizens who want our kind of group health care know its value, and have shown they are ready to support it with their membership fees.

What we do want, and what we vitally need, is access to adequate financing. Our experience has taught us that we can gain it only with the assistance of the Federal Government.

That is why we in GHAA ask that you provide for guaranteed loans for terms of 25 years. We will show—as we have shown before—that our plans will provide economical care and will generate the income needed to maintain fair amortization rates as well as reasonable interest rates.

Your help will act as a catalyst to other nonprofit plans which have been patiently waiting in the wings ready to start when they can get needed financing. And I believe we will find that organization funds, foundations, and labor unions, when they can get a Federal Government guarantee, will feel it is possible to make the investments in health care that they wish to make.

Gentlemen, our purpose is to serve the people through prepaid group health care on a comprehensive, nonprofit basis, at a time when private practitioners of medicine as a group have achieved unprecedented financial prosperity. The group health plans, while making remarkable progress, have been handicapped in their growth by a relative inaccessibility of new capital.

The passage of H.R. 9256, I sincerely feel, will contribute to the solution of this pressing financial problem which has had serious impact on millions of our citizens.

Thank you.

(The attachments referred to follow:)

WESTERN UNION TELEGRAMS RECEIVED ON GROUP HEALTH PLAN NEEDS FOR MEDICAL FACILITIES

(Addendum to testimony, H.R. 9256, by James Brindle)

DR. THOMAS WALKER MEMORIAL HEALTH FOUNDATION,
Beckley, W. Va.

Need so desperate that we have moved ahead and obtained loan of half million from three local banks. Pledge support (not written) from UMWA welfare retirement fund plus our "Going Operation" made the loan possible. We break ground within 30 days. Good luck.

JAMES P. BLAND, *Administrator.*

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GROUP HEALTH PLAN,
St. Paul, Minn.

Group Health Plan currently seeking $750,000 to construct two 10,000-square-foot medical centers, one West Minneapolis, other East St. Paul. Financing chief obstacle. Loaning agency consider medical center high risk special purpose building. Urge support of H.R. 9256.

MAURICE J. MCKAY.

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COMMUNITY HEALTH FOUNDATION,
Cleveland, Ohio.

Two million immediate need.

GLENN WILSON.

* * * * * * *

HARLAN, KY.

Construction and equipment funds needed currently for Daniel Boone Clinic, Harlan, $950,000, Middlesboro $145,000, Whitesburg $145,000; total $1,240,000.

HERB ENRICH.

* * * * * * *

COMMUNITY HEALTH ASSOCIATION,
Detroit, Mich.

Present growth and development of program severely limited through inability to obtain adequate commercial loans. Current needs: 1. 1966, emergency and research wing $440,000 to match $100,000 Hill-Burton grant; 2. $150,000 for acquiring and renovating nurses residence; 3. 1966, $1,200,000 for building and equipping 30-physican treatment and diagnostic center; 4. 1967, $857,000 to match Hill Burton and community fund support for chronic care unit and community mental health center; 5. 1967, $1,200,000 for additional 30-physican treatment and diagnostic center; 6. 1968, $1,200,000 for additional 30-physican treatment and diagnostic center.

CALDWELL B. ESSELSTYN, M.D.

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SAN DIEGO HEALTH ASSOCIATION,
San Diego, Calif.

San Diego Health Association current needs for financing new and additional clinic facilities plus equipment as follows: Expansion La Mesa Clinic $66,000. Furnishing and equipment $54,000. Two satellite clinics $400,000. Equipment $125,000.

F. W. TENNANT, *General Manager.*

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SOUTHWEST VIRGINIA COMMUNITY HEALTH SERVICE, INC.,
Wise, Va.

Projected dollar cost for current extension needed Wise Clinic, Wise, Va., is $288,000 and Dante Clinic, Dante, $72,000. If additional information is needed please advise.

ROBERT DANIEL, *Business Manager.*

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HEALTH INSURANCE PLAN OF GREATER NEW YORK,
New York, N.Y.

Needs about 5.2 million for branch centers, renovation, and enlargements.

JAMES BRINDLE.

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JEFFERSON HEALTH FOUNDATION, INC.,
Birmingham, Ala.

Our estimated dollars cost needed for financing new and additonal clinic facilities and equipment is $400,000.

JACK G. MONROE, *Administrator.*

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GROUP HEALTH COOPERATIVE OF PUGET SOUND,
Seattle, Wash.

Current projected need for hospital expansion $3.5 million and diagnostic and treatment center additions $1 million. Total $4,500,000.

H. F. NEWMAN, M.D.

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GROUP HEALTH ASSOCIATION,
Washington, D.C.

GHA long range plan envisions need for four regional medical centers. Construction and equipment cost estimate is $1½ million for each center.

FRANK C. WATTERS,
Executive Director.

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MEDICAL FOUNDATION OF BELLAIRE,
Bellaire, Ohio.

Medical Foundation of Bellaire, nonprofit, tax exempt community health organization operates in conjunction with 16-physician Bellaire medical group three clinics serving seven Appalachia counties in Ohio and West Virginia needs over the next 2 to 5 years to replace and expand antiquated and inadequate present facilities include when financing is available, $1,080,000 for central health center, $100,000 for branch clinic, $50,000 for expansion of other branch clinic.

GEORGE S. GOLDSTEIN,
Secretary-Treasurer.

* * * * * * *

YALE UNIVERSITY SCHOOL OF MEDICINE,
New Haven, Conn.

There is now a vigorous movement for the development of a group practice facility in New Haven to serve people in this metropolitan area, and shortly it will be confronted with the problem of raising funds to meet construction and equipment costs. The plan here is unusually important because though primarily for comprehensive patient care on a prepayment basis, it would operate in the Yale-New Haven medical center complex, utilizing specialty and inpatient hospital services already available, and would also serve as an education and training center to prepare future physicians for general and family type care in a group practice medium.

The plan is being vigorously sponsored by the Greater New Haven Central Labor Council and other local consumer credit groups, hopes also to serve welfare agency clients, and is warmly supported by Mayor Richard C. Lee as a community project. It has been assured cooperative participation by the joint board of the Yale University School of Medicine and the Yale-New Haven Hospital.

My preliminary estimate is that land acquisition, construction, and fixed equipment for the primary group practice will cost about $750,000, and that secondary facility developments for regional-type expansion of the plan over the following 5 to 10 years will cost about $500,000 more. Since the plan would utilize Yale Medical Center specialty ambulatory services and hospitals and possibly other community hospitals, it has no apparent need to meet hospital construction costs.

I hope you can utilize this information for the congressional committee.

DR. I. S. FALK.

Mr. BARRETT. Before the next witness, I just want to note that our distinguished colleague, Mr. Henry Gonzalez asked me to extend his

greetings to you and express his regret that he could not be here today in person. Unfortunately, urgent business makes it impossible for him to be here but he wanted you to know that he looked forward to reading your testimony in the transcript of today's hearing.

Mr. Voorhis, you may continue.

STATEMENT OF JERRY VOORHIS, EXECUTIVE DIRECTOR, COOPERATIVE LEAGUE OF THE U.S.A.

Mr. VOORHIS. Mr. Chairman and members of the committee, my name is Jerry Voorhis, and I appear before the committee on behalf of the Cooperative League of the U.S.A., which organization I am privileged to serve as executive director and president for the last 19 years.

The Cooperative League is a national federation of all kinds of mutual and cooperative enterprises in the United States. Its affiliated organizations comprise about 16 million different families in their members, and they are owners of their own businesses which serve their needs for insurance, housing, marketing of farm crops, procurement of farm supplies, credit, health care electricity, and household needs. The purpose of the Cooperative League is to encourage the use of the voluntary self-help method of solving problems which individual families cannot solve alone.

Our support of the legislation before the committee has been repeatedly and specifically expressed by biennial congresses of the Cooperative League which is the supreme delegated authority of our organization.

The reasons for that support are as follows:

Like the Group Health Association of America, the Cooperative League believes in the better and more rational organization of medical care and health services in our country. We do not believe in the interference of professional practice of medicine by laymen. We believe that there are four basic elements in that more rational and effective organization. One is group practice of medicine by balanced groups of doctors and professional medical personnel. Another is prepayment of the costs of medical care on a budgeted basis so as to bring the best of modern medical care within reach of as large a percentage of our people as possible. A third is preventive, comprehensive, regular care, aimed at maintaining family health and keeping people out of hospitals rather than episodic medical care which is necessarily limited to attempting to cure disease after it has been serious. And the fourth element is the opportunity and the responsibility of groups of our citizens to act voluntarily in the formation of group health plans in collaboration with groups of their doctors and nurses.

Such plans are to be found all across our country, in all sorts of communities, among all kinds and groups of people. Their basic philosophy is that the doctor should be provided with an assured income as a reward for keeping people well instead of having to depend on an uncertain income derived from people after they have become sick.

We support this legislation—H.R. 9256—because we are convinced it is necessary if voluntary constructive action by consumers of health

care is to receive the encouragement it should have and to make the contribution to the better health of our people which such action can bring.

Only where the costs of preventive care are already paid and where doctors' income is thus already assured through the voluntary action of his patients—only under these circumstances is there incentive on the part of doctor and patient alike to keep people out of hospitals and thus to check the alarming increase in costs of medical care and the alarming and soon to be aggravated pressure upon both hospital space and hospital costs. If time permitted I could give a personal illustration of this in the last 4 months. But I think I better not take time to do that because of other witnesses.

We can submit carefully compiled evidence to show that subscribers to group health plans do have hospital utilization rates which are from 50 to 80 percent of those of other insured groups in the population.

But for easily understood reasons group health plans face a difficult problem of receiving financing for the physical facilities they need. This has always been true and no one can accurately estimate how much benefit such plans might have brought to our country though voluntary action of its citizens if the financial problem could have been solved.

Such consumer-sponsored plans are nonprofit, of course, to begin with. They therefore cannot offer expectation of substantial earnings as security. We have all sorts of evidence from all kinds of different plans throughout the country to the effect that if they had been profitmaking organizations they would have had no difficulty, but the fact that they were nonprofit service agencies made it very difficult for them to borrow money they needed so badly. Second, the doctors' facilities, clinic buildings, and the like which are essential if such plans are to operate at all, are single-use buildings and therefore not in the nature of prime objects of investment by financial institutions. Third, in many, many cases the need is greatest in smaller communities where even if the local bank desires to make such loans, it simply lacks the resources with which to do so unless a guarantee is provided such as H.R. 9256 could give. Fourth, while the members and subscribers to such plans—or the potential members and subscribers to such plans—could and indeed have put up enough contribution to finance the operations of a plan, there are many, many instances where they are quite unable to subscribe the amounts of money necessary to finance expensive modern health facilities.

Let me cite a couple of examples.

First, take the case of a small community threatened with loss of its only hospital and of all its doctors and where families subscribed $100 each to provide their town with desperately needed modern clinic facilities. Some $45,000 was needed to complete construction of these facilities over and beyond what could be raised by the people's efforts. In the absence of legislation like H.R. 9256, it took 15 years before these earnest people were able to borrow the funds necessary to supplement their own and to provide the facilities their town needed.

Another case is one right now, where an already established group health plan in a rural area is ready and willing to construct a branch clinic in a neighboring community. The nearest hospital to this

community is 30 miles away. And no facilities exist where efficient medical service could be provided or where, in fact, well trained modern physicians are willing to practice. So the need is obvious. The local bank is quite willing to make a loan to finance the needed facility but it simply does not have adequate reserves and is not large enough to take the admitted risk of financing a building which it would obviously have considerable difficulty in selling in case foreclosure became necessary. Were H.R. 9256 on the statute books the local bank could and would make this loan, doctors could be attracted to this community and the health of the people protected. If the guarantee were available other instances would come forward without drawing any real assistance from the Government except that guarantee.

Many similar examples could be given, both from other rural areas, to which the legislation would give preference and also from cities where labor-sponsored and cooperative consumer-sponsored group health plans could care for much larger memberships if only they could receive the financing for the additional physical facilities they need.

Finally, we submit that with the advent of the medicare program, the pressure upon existing health facilities will be greatly intensified. indeed something approaching a crisis in this respect may result What better way of forestalling such a crisis than by encouraging through a loan guarantee program the kind of constructive action on their own behalf which groups of our people are endeavoring to take through developing of group health plans like those about which I have been speaking?

In times like the present it indeed seems the part of both wisdom and statesmanship to encourage voluntary action by the people of this country in attacking and solving their own problems—that of health economics at their forefront.

For these reasons The Cooperative League of the United States hopes that this distinguished committee will report favorably upon H.R. 9256 and the other measures now before you and that they can be enacted into law at an early date.

(The following letter was submitted for the record:)

THE COOPERATIVE LEAGUE OF THE U.S.A.,
Washington, D.C., March 21, 1966.

Hon. WILLIAM A. BARRETT,
Chairman, Housing Subcommittee of the House Banking and Currency Committee, Washington, D.C.

DEAR CONGRESSMAN BARRETT: In recent testimony concerning H.R. 9256, the medical facilities loan guarantee bill, the Cooperative League referred to the comparative studies that have been made concerning actual utilization of in-hospital services by members of the three most popular types of medical protection plans, viz, Blue Cross-Blue Shield, indemnity plans, and Group Practice.

The results of the studies reveal with force and clarity that members of group practice plans make less use of hospitals than the other two types of protection, reflecting the result of early treatment, preventive medicine, and a program of using our medical resources to prevent or detect at an early stage the conditions which otherwise lead to hospitalization.

The following chart covering 3 recent years is based on number of hospital days per 1,000 persons covered by the 3 types of protection in the Federal employees health program:

Federal employees health program—Experience for 3 contract years comparing individual Group Practice plans, nonmaternity in-hospital services, both options

Plan	1960–61	1961–62	1962–63
Blue Cross-Blue Shield	672	826	865
Indemnity	657	708	767
Group practice	409	455	430

As Dr. George Baehr (chairman of the Hospital Code Committee of the Board of Hospitals of the City of New York, and who was director of clinical research at Mount Sinai Hospital) said in the Michael M. Davis lecture in May 1965:

"The difference of close to 50 percent in the utilization of hospital facilities under the two systems of medical care and payment for physicians' services may perhaps be ascribed in part to the number of surgical operations performed annually on Federal employees and their families under the two different systems of medical care:

"*Number of surgical operations performed*

	Per 1,000 persons
All surgical procedures:	
Under Blue Cross-Blue Shield plans	70.0
Under Group-Practice plans	39.0
Tonsillectomies and adenoidectomies:	
Under Blue Cross-Blue Shield plans	10.6
Under Group-Practice plans	4.0
Female surgery (excluding D. & C.):	
Under Blue Cross-Blue Shield plans	8.2
Under Group-Practice plans	5.4
Appendectomies:	
Under Blue Cross-Blue Shield plans	2.6
Under Group-Practice plans	1.4

"So great a difference in hospital utilization under the two systems of medical care and methods of payment upon the costs of medical care must undoubtedly be an important factor in the magnitude of personal consumer expenditures in the United States for private medical care, which in 1963 reached $23.7 billion. The ratio of personal expenditures for medical care to total personal consumption expenditures by the American people increased from 4.3 percent in 1948 to 6.3 percent in 1963. Of this sum, 29.2 percent represents hospital costs, 27.9 percent physicians' charges, and 26.5 percent drugs and appliances used for the care of the sick (19.9 percent for drugs and 6.6 percent for appliances). In New York City private citizens spend about $1 billion a year for personal health services through insurance and direct out-of-pocket payments and an additional $750 million a year is spent by the State and local governments for the health and medical care of residents of the city of all economic levels."

It would be appreciated if this could be made a part of the committee report.

Sincerely,

SHELBY SOUTHARD,
Assistant Director, Washington Office.

Mr. BARRETT. Thank you, Mr. Voorhis.

Now, Mr. Kingren.

STATEMENT OF GIBSON KINGREN, REPRESENTING KAISER FOUNDATION HEALTH PLAN, INC.

Mr. KINGREN. Mr. Chairman and members of the subcommittee my name is Gibson Kingren, representing the Kaiser Foundation Health Plan, Inc.

The Kaiser Foundation Health Plan, a nonprofit organization, is the largest group practice prepayment health plan in the United States, providing medical services on a self-sustaining basis to more

than 1,300,000 members in California, Oregon, Hawaii, and Washington.

Kaiser Foundation Hospitals owns and operates 15 hospitals; a 16th is under construction, and three other hospitals are scheduled for completion by 1970.

All but two of the Kaiser Foundation hospitals include extensive outpatient departments as an integral part of the facility. In addition to the outpatient facilities located at hospitals, our medical care program operates 29 detached outpatient clinics. In our experience the current cost of a 10 to 12 doctor outpatient facility—including land, building, and equipment—is between $400,000 and $500,000.

Each new health plan member in the Kaiser Foundation medical care program means at least a $90 investment in medical facilities and equipment—almost a million dollars to serve 10,000 members. The fixed assets now employed in our medical care program cost more than $90 million.

Obtaining capital on the scale required to provide comprehensive health care is a formidable obstacle for small existing plans, and may be almost insurmountable for new plans. One of the most important ways to encourage the growth and development of group-practice prepayment plans is to make available insured loans for facilities.

THE KAISER FOUNDATION MEDICAL CARE PROGRAM HAS EXPERIENCED DIFFICULTY IN OBTAINING LOANS FOR FACILITIES

During World War II, when the health plan was organized membership was restricted to employees of the Kaiser shipyards in Vancouver, Wash., Richmond, Calif., and later at the Kaiser steel plant at Fontana, Calif. With the close of the war in 1945 the plan was made available to the general public in these communities. We had sufficient capacity in the existing medical facilities so that no facility pinch was felt for several years—and thus we did not face a large capital requirement until a good membership base had been developed.

Even with an excellent banking relationship we were often unable to finance facilities rapidly enough to meet the demand for health plan coverage, and membership in the plan often was closed to new enrollment.

As the health plan has grown and proved its financial soundness, it has become easier to secure conventional financing but we are unable, still, to obtain much of the necessary capital required to meet the steadily increasing demand.

In 1962 we concluded an agreement with several banks and insurance companies for loans of about $35 million for facility expansion. We have recently concluded another loan agreement which will increase this financing to $50 million. This loan will make it possible to develop about $60 million of additional health facilities, and thereby increase substantially our capacity to serve the communities in which we operate.

This brief recitation is intended to show that the Kaiser Foundation medical care program has experienced and continues to experience many of the financial problems which beset group practice plans. We believe a very formidable obstacle to the growth and development of group practice, health plans will be minimized through a Government program for insuring mortgage loans for health care facilities.

NEED FOR HEALTH CARE FACILITIES NOW GREATEST IN OUR HISTORY

This is the time to make needed health care facilities available as soon as possible. The medicare program will become effective on July 1 and many States already are increasing their medical services to the indigent through implementation of title 19 of the Social Security Act. Never in the history of this country has there been as much demand for medical services as there is today, and we expect this demand to expand substantially in the next few years. Group practice programs, with the inherent economies of group medical practice, can help to minimize the pressure caused by an increasing quantity of health-care dollars during a time marked by a shortage of physicians, a shortage of trained personnel and a shortage of adequate facilities.

SUMMARY

Kaiser Foundation Health Plan urges the passage of H.R. 9256 for the following reasons:

1. Experience has shown that capital to finance medical facilities for group practice organizations is difficult and often impossible to secure. This factor prevents many organizations from being established and keeps existing plans small so that many people who might wish to have the benefits of group practice plans are deprived of that opportunity.

2. Recent amendments to the Social Security Act are making substantial funds available for medical care. There may be overburdening of the relatively limited supply of doctors and health facilities available, with consequent detriment to the quality of medical service for the general public. Therefore it seems sound public policy for Congress to encourage expansion of efficient health facilities through insured loans.

3. To encourage long-term insured loans for facilities expansion is consistent with our free enterprise system. Experience has demonstrated that well-managed group practice prepayment plans can be self-sustaining, with the capacity to generate funds fully adequate to amortize indebtedness. However, group medical practice is a relatively new concept to the financial world and we believe that, in the absence of guaranteed repayment, lenders will continue their cautious policies and decline to make long-term loans to this kind of enterprise in the amounts which are required. A program of Government insured loans will open many doors now closed to qualified borrowers.

Kaiser Foundation Health Plan

KAISER FOUNDATION HEALTH PLAN HAS A LONG-ESTABLISHED POLICY IN SUPPORT OF INSURED LOANS FOR GROUP PRACTICE FACILITIES

In 1954 Mr. Henry Kaiser appeared before the Interstate and Foreign Commerce Committee—when it was chaired by Representative Charles A. Wolverton—in support of H.R. 7700 which would have provided insured loans for the construction of health facilities. This measure did not pass Congress. The support of H.R. 9256 is a continuation of Mr. Kaiser's proposal of 12 years ago. The need for this measure was present then; it is even more pressing today.

Mr. BARRETT. Thank you, Mr. Kingren.

Mr. KINGREN. Thank you, Mr. Chairman, for the opportunity to present our views in this matter.

Mr. BARRETT. The next gentleman, Mr. Doherty.

You may continue, Mr. Doherty.

Mr. DOHERTY. Thank you, Mr. Chairman.

STATEMENT OF JAMES F. DOHERTY, LEGISLATIVE REPRESENTATIVE, AFL-CIO; ACCOMPANIED BY RICHARD SHOEMAKER, ASSISTANT DIRECTOR OF THE AFL-CIO SOCIAL SECURITY DEPARTMENT

Mr. DOHERTY. Mr. Chairman, I have prepared a brief statement and I would like—I would request the statement appear, and I will read a brief summary.

Mr. BARRETT. Without objection, so ordered.

Mr. DOHERTY. We appear before you in support of H.R. 9256 because we believe this bill to provide mortgage insurance and to authorize direct loans by the Housing and Home Finance Administration to help finance the cost of constructing and equipping facilities for the group practice of medicine and dentistry will help to lower the cost and raise the quality of medicine and dental care. Quality medical care is a right and necessity for all of the American people and can no longer be considered a luxury.

To meet the increased demands for medical care resulting from the increased expectations of the consumer as well as the improved ability of our senior citizens to pay for care because of passage of medicare last year, not only will more medical manpower be a necessity, but also improved efficiency in the use of the manpower we now have.

Because of the increase in medical knowledge, the medical profession has had to specialize. There are now 35 specialties in medicine. This division of labor brings with it the need to organize the various specialized skills and disciplines as well as health facilities to provide health services efficiently.

At the same time, the medical profession has become far more dependent upon diagnostic and therapeutic equipment as aids to diagnosis and treatment. Such expensive equipment is only economically feasible in such institutional settings as hospitals or group practice clinics.

At issue is not only efficiency, but the quality of care as well. In contrast to solo practice, the group practice of medicine can provide higher standards of recordkeeping, of evaluating performance, of interchange of professional opinion and of opportunities for continuing professional education. Of particular importance is teamwork of the many specialized medical and paramedical personnel in bringing the whole range of medical skills to the patient as a whole person. It is because of the inherent advantage of group practice to both the consumer as well as to the professionally oriented doctor that the group practice of medicine has been growing rapidly in recent years.

Where the group practice is combined with direct payment by consumers to provide comprehensive health care, the medical group has an incentive to practice preventive medicine because financial responsibility is not divorced from medical responsibility. The success of comprehensive, direct service, group practice prepayment plans in

preventing sickness is substantiated by lower rates of hosptalization and surgery than for conventional forms of insurance.

In view of the many advantages of group practice, we believe Congress should give future consideration to other measures which would encourage the growth of group practice prepayment plans.

Mr. BARRETT. Thank you, Mr. Doherty.

(The complete statement of Mr. Doherty follows:)

STATEMENT OF JAMES F. DOHERTY, LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, my name is James F. Doherty. I am a legislative representative for the AFL–CIO. I am accompanied by Richard Shoemaker, assistant director of the AFL–CIO social security department.

We appear before you to support H.R. 9256, a bill sponsored by Congressman Patman, the chairman of the House Committee on Banking and Currency. This bill, H.R. 9256, would amend the National Housing Act to provide mortgage insurance and to authorize direct loans by the Housing and Home Finance Administration to help finance the cost of constructing and equipping facilities for the group practice of medicine and dentistry.

We believe this legislation, to assure availability of credit for group practice plans, will significantly help to lower the cost and to raise the quality of medical care in this country.

The record of the AFL–CIO in support of legislation designed to remove the financial barriers that stand between many Americans and the medical care they need is well known. Quite correctly, we believe, the 20th century has witnessed a revolution in the expectations of the American people in regard to health services. High-quality medical care is no longer a luxury to be enjoyed by the well-to-do few. Rather, it is now considered a right and a necessity for all of the people. The health and well-being of the American people is our concern as it is, I am sure, of this committee.

The 89th Congress took one of the most important forward social steps in our history by passing the Social Security Amendments of 1965, which will assure to virtually all Americans over 65 (basic minimum) medical care. However, we are not so naive as to believe that providing our aged with money to pay for medical care will solve all problems. In fact, we know there will be tremendous pressure on supply of medical services as millions of our senior citizens will, for the first time, be abe to afford the medical care they need. Doctors, nurses, medical technicians, and other paramedical personnel are in short supply now. This shortage will become even more acute unless corrective action is taken.

Fortunately, the problem is recognized. In his March 1 health message to the Congress this year, President Johnson declared:

"We must find new ways to lower the cost and raise the quality of health care, to organize health services more efficiently, to develop information systems. It will take the combined efforts of university, hospital, industry, group practice clinics, and man yother organizations."

Increasing the supply of medical and paramedical manpower will not, in itself, be enough to lower the cost and raise the quality of medical care. It takes many years to train a doctor. To help meet the medical manpower shortage, we need to utilize our health manpower and facilities more efficiently. Therefore, our concern about efficiency in providing health services is fully justified.

The response of the medical profession to the vast increase in medical knowledge has been, as with other sciences, specialization. It is now just as impossible to know everything about the broad field of medicine as it is to know everything about engineering. Just as we have now mechanical, electrical, chemical, electronic, and many other kinds of engineers so we also have internists, pediatricians, gynecologists, opthalmologists, dermatologists, and other kinds of doctors. There are now 35 specialties of medicine for which the American Medical Association has estabilshed specialty boards. In addition, there are subspecialties.

With this division of labor, it is necessary to organize various skills and disciplines in order to provide health services at maximum efficiency. While the 19th century coachmaker might be able to consruct an entire horse carriage from the wheels to the upholstery, a single craftman could not make a 1966 model automobile by himself except at prohibitive cost. Similarly, in medicine, the

19th century general practitioner could render the entire spectrum of then-known medical services, but in 1966 we cannot expect and we should not expect an internist to perform heart surgery.

The growth of specialization has been accelerating. In 1940, 21 percent of the doctors in private practice were specialists. In 1964, 69 percent were specialists. Four out of five medical students are in training for specialty practice. The idealized general practitioner is rapidly disappearing from the American scene.

Along with this trend toward specialization is the increasing dependence of the medical profession on expensive diagnostic and therapeutic equipment, usually available only in such institutional settings as hospitals or group practice clinics. Therefore, physicians are increasingly establishing offices within or in close proximity to hospitals.

What it comes down to is this. Advances in medical knowledge and technology mean that medicine can no longer be practiced efficiently without organization of medical personnel and facilities and that teamwork is becoming increasingly important as a necessary element to both efficiency and to quality. Specialization without cooperation is costly, inefficient, and detrimental to quality care. These principles are recognized in our better hospitals but the issues are continuously and deliberately being confused by such empty slogans as "socialized medicine," "free choice of physician," "interference with the doctor-patient relationship," and "interference with the practice of medicine."

Solo, individual practice in medicine is not only inefficient but of relatively poor quality as well. Quality care requires standards and procedures for evaluating performance. This kind of review and evaluation of the practice of medicine is all to the good. We need more of it.

Dr. George Baehr, former president of the New York Academy of Medicine, warns that "Under the prevailing system of solo practice, there are no enforceable standards of quality, no supervision of professional perfomance, no determination of errors of omission or commission in practice, no measurement of waste in unneeded services and costs * * *."

Some measurement of both waste and lack of standards of professional performance is indicated by the experience of Federal employees under their multiple choice health benefits program. Federal employees may elect their health benefits coverage under three options, namely: Blue Cross-Blue Shield, commercial insurance, or a comprehensive direct service group practice prepayment plan such as the Kaiser Foundation health plans on the west coast and in Hawaii, The Health Insurance Plan of Greater New York, Group Health Association in Washington, D.C., and others. Those electing Blue Shield coverage for surgery had 70 surgical procedures per 1,000 subscribers for the second contract year, November 1, 1961, to October 31, 1962. Those choosing group practice plans had 39 surgical procedures per 1,000 subscribers.

Confirmation that these statistics for group practice plans reflect a substantial reduction in unnecessary surgery comes from medical audits which have been conducted by the Schools of Public Health of Columbia University and of the University of California at Los Angeles. These medical audits indicate a substantial amount of unnecessary surgery under prevailing patterns of practice, particularly for hysterectomies, tonsillectomies, and adenoidectomies.

A study sponsored by the University of North Carolina and the Rockefeller Foundation during 1953-54 among general practitioners in the State indicated the following weaknesses among this group of solo practitioners: (1) limited history taking; (2) limited physical examinations; and (3) limited use of aids to diagnosis.

We do not claim quality medical care automatically and necessarily results from the association of doctors and other paramedical personnel in group practice but we do believe group practice provides the necessary framework within which quality control can be built in.

Herman and Anne Somers, in their classic in the field of medical economies, "Doctors, Patients, and Health Insurance": point out that:

"The reasons for the positive effect of group practice on quality are both obvious and subtle. The structural or institutional factors include medical center orientation, higher standards of physical equipment and facilities, record-keeping, group standards of professional procedures, easier access to a larger range of specialized personnel, more frequent exchange of professional judgment, more time off for refresher and post-graduate courses, etc."

Dr. Gunner Gunderson, former president of the American Medical Association, has said, "There is no question that group practice can provide better medi-

cine." And Dr. Walter Bauer, chief of medicine of the Massachusetts General Hospital, says, "I don't see how we can provide good medicine without group practice."

Group practice arrangements are increasing substantially in number, particularly in the West and Midwest. Taking the United States as a whole, there were 368 group practice units in 1946. By 1959 the total number of group practice clinics had reached 1,154.

Group practice will continue to grow in response to the technical advances in medicine and resulting specialization. We believe this development to be so important in relation to efficient utilization of medical manpower and to providing the best possible quality of medicine that every possible effort should be made to stimulate an even faster rate of growth in group practice.

We have been particularly impressed by the achievements of group practice where the medical teams contract directly with groups of consumers to provide comprehensive health services on a prepaid basis. Quite literally, the consumer pays so much per month to the medical group to keep him well. Under this type of arrangement, the medical group has an incentive to practice preventive medicine because the patient who becomes sick becomes the financial as well as the medical responsibility of the prepaid health plan.

Contrast this with the typical insured plan which only reimburses the patient when he becomes sick. These sickness insurance programs typically exclude payment for preventive care and physical examinations. Under such programs the doctor assumes no financial responsibility because his services are paid by a third party. Early diagnosis and treatment are, in fact, effectively deterred in the typical sickness insurance plan through the use of "deductibles and coinsurance."

That "an ounce of prevention is worth a pound of cure" has been well documented in the Federal employees health benefits program.

Just as you find lower rates of surgery for the comprehensive, direct service, group practice, prepayment plans, so you will also find lower hospitalization rates under these plans.

Federal employees enrolled in Blue Cross had 865 nonmaternity hospital days per 1,000 subscribers in the contract year 1962–63. Those electing the commercial insurance program had 767 hospital days, and those choosing the comprehensive plans had only 430 hospital days.

In view of the many advantages of group practice and particularly of group practice coupled with prepayment, we believe the objective of H.R. 9256—to assure the availability of credit for group practice plans—deserves wholehearted support.

In fact, we believe Congress should do much more to promote the growth of more rational methods of organizing health services. Therefore, we ask specifically that the Congress soon give consideration to the need for additional support and encouragement for group practice prepayment plans through grants in aid for construction of necessary facilities and initial staffing similar to the Community Mental Health Centers Act as amended in the 1965 session of the 89th Congress.

Mr. Chairman, I appreciate this opportunity to present the support of the AFL–CIO for H.R. 9256. Thank you.

Mr. BARRETT. At this point in the record I would like to introduce a statement for the record by our colleague, Mr. Moorhead who could not be here today. He is introducing two statements in support of H.R. 9256 by Dr. Dean A. Clark, director, program in Medical and Hospital Administration at the University of Pittsburgh, School of Public Health, and Dr. Leslie A. Falk of Pittsburgh, Pa.

(The statements referred to follow:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., March 11, 1966.

Hon. WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing,
House Banking and Currency Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: At this point in the record of the Subcommittee on House hearings to consider H.R. 9256, which would provide loans from the Federal Government for group practice facilities construction, I would like to introduce for the committee's consideration statements by two of my constituents, speaking on behalf of the Group Health Association of America, Inc. They are: Dr. Dean A. Clark, director, Program in Medical and Hospital Administration at the University of Pittsburgh School of Public Health, whose statement is entitled, "Organization of Medical Care in the 20th Century Imperative," and Dr. Leslie A. Falk of Pittsburgh, Pa., who expresses his views in a letter to you. It is their view that this legislation will make mortgage insurance available for group facilities which will bring expert health care to the patient and enable physicians to draw on the combined talents of their colleagues.

Sincerely,

WILLIAM S. MOORHEAD.

ORGANIZATION OF MEDICAL CARE IN THE 20TH CENTURY IMPERATIVE

(By Dr. Dean A. Clark)

A virtual explosion of medical knowledge during the past 30 years has vastly increased the power of modern medicine to save life and restore and preserve health. It has produced antibiotics, vaccines, and hormones that are true miracle drugs for the prevention and cure of disease. It has introduced isotopes and electronic tools for diagnosis and treatment. It has advanced surgery and anesthesiology to new levels of lifesaving. It has brought rehabilitation to helpless and hopeless cripples and returned them to useful life.

The explosion of medical knowledge has revolutionized the way doctors work. The day has long passed when any single physician—no matter how talented he may be—can hope to provide to any one person the best of medical care in all of the many areas of medicine.

Application of the vast body of new knowledge requires a battery of complex, expensive facilities and equipment—mechanical, chemical, electronic—for diagnosis and treatment. Specialization has necessarily grown by leaps and bounds. But as medical care has become more effective, it has grown more complex and more fragmented.

The struggle of the doctors to achieve effective organization of medical care has been in progress for decades and takes many forms. The full range of specialists are associated in organized fashion in medical schools and medical school teaching hospitals. The association of specialists in single and multiple specialty groups also continues to increase. They find professional satisfaction and improvement in their combined medical competence through mutual association, as well as economy in the joint use of equipment and supporting personnel.

Yet the medical school, teaching hospital and specialty groups find it almost impossible to provide the complete family medical care that consumers need and expect. They do not wish to waste their talents on the coughs, colds, and bellyaches that constitute the numerical bulk of family health concerns.

Medical group practice carried on by a balanced team of family physicians and specialists has been evolved by some members of the medical profession as their answer to the problems of both the physician and the consumer in organization of modern medical care. Such medical groups provide the full range of immunizations and other preventive services to maintain health diagnostic services, and care of minor illnesses as well as of major medical and surgical problems. These medical group practices have evolved into two general types:

1. Physician owned group practices which deliver care to patients on a fee-for-service basis. These group practices, in general, provide fine service. In general, they have no problem in obtaining financing, but this bill would

be useful to them if they needed such financial help. It is estimated that there are 750 such groups in the country.

2. Group practices serving consumer-sponsored group health plans.

SPECIAL CHARACTERISTICS OF GROUP HEALTH PLANS

Group health plans are unique among organizations which provide health benefits on a prepaid basis, in that they assume responsibility to their enrollees for the availability, quality and acceptability of medical care as well as for paying bills. Subscribers, particularly in modest income groups, understandably tend to focus primarily on finances. Fully paid benefits without deductibles, extra charges and coinsurance are attractive to them. The normally healthy family inclines to take availability and quality of medical care for granted until crisis strikes when their own doctor is not available, or at night or on a weekend when any doctor may be difficult to come by.

The readiness to serve of a medical group through rotating coverage at all times, and the assured quality of service through professional collaboration among doctors selected for their qualifications, compatibility and responsibility, are important attributes of medical care provided through group health plans. Although not so immediately obvious as absence of deductibles and coinsurance they may be lifesaving assets in serious medical emergencies.

In testimony before the House Interstate and Foreign Commerce Committee then considering a similar bill (H.R. 2987) on March 5, 1965, the representatives of the Group Health Association of America, the national association of group health plans reported on a telegraphic survey of building needs of its members. These needs came to millions of dollars to consummate 1965 building plans, including a million dollars in the Appalachian area alone. Group health plans, most of which are nonprofit as well as consumer-sponsored, do have difficulty in getting needed funds. Perhaps because group health plans are different and are pioneering a new approach, not using the traditional fee-for-service, and are often opposed by medical societies, lenders have been reluctant to provide funds. I believe these group health plans are desirable and should be encouraged. I think H.R. 9256 will be helpful to them. It should be supported.

GROUP HEALTH ASSOCIATION OF AMERICA, INC.,
Washington, D.C., March 8, 1966.

Re need for Federal loans for group practice construction.

Hon. WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing, House Banking and Currency Committee, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BARRETT: Need for legislation such as H.R. 9256 as part of H.R. 12341 is clear and pressing. This conclusion is based on the actual experiences and observations of our committee members, which I personally endorse.

There now exists what, in practice, amounts to discriminatory exclusion of group health facilities from effective access to capital. At present, banks are reluctant to lend even 6-percent money to nonprofit sponsored group practice clinics. Such facilities are not eligible for Small Business Administration loans. In addition, most are not eligible for Hill-Burton moneys because they are not hospital-affiliated. Foundations are almost all "otherwise committed."

The following letter from a struggling, high quality, nonprofit sponsored, GHAA member, medical group practice with four community offices in Pennsylvania describes the problem clearly.

"The task of getting financing to put up a headquarters clinic for our organization was long, involved, and disappointing. It was costly in terms of time and energy.

"Negotiations started officially in October 1958 and culminated with a loan approved by Nationwide Insurance Co. for $340,000 in January 1961. It was a 6-percent loan based on a first mortgage with a loan fee of $1,700 and other costs.

"The following sources were approached with correspondence measuring approximately 3 inches in thickness:

Small Business Administration
Ford Foundation
Olin Foundation
Avalon Foundation
Commonwealth Fund
Rockefeller Brothers Fund
Maurice and Laura Falk Foundation
W. K. Kellogg Foundation
Field Foundation, Inc.
Donner Foundation
The Rockefeller Fund
Milbank Memorial Fund
The Buhl Foundation
Albert and Mary Lasker Foundation
Howard Heinz Endowment
D'Orazi Investment Co., Sacramento, Calif.
The 65 Security Plan, New York
A university to take on a research project on financing group plans
Various insurance companies
Insurance agencies
Mortgage companies
Banks
Real estate companies

"Even in the case of Nationwide Insurance, they first turned down the loan and subsequently accepted and approved it.

"We hope that this brief report shows the great expenditure of time and energy necessary to get financing. Remember that financiers we approached were dealing with an economically successful group practice with demonstrated earning power and obvious potential.

"In my own few years of business experience, including hospital administration, I have not encountered such a disappointing reaction as our own situation here portrayed."

Another nonprofit community-sponsored medical group practice located in eastern Ohio, which I also know well, had this to say:

"Our experience has been that nonprofit, group practice programs cannot normally borrow from commercial sources.

"We learned then, that commercial banks and insurance companies are not interested in investing in programs like ours. The reason, we were told, is that a group practice clinic building is such a narrowly circumscribed, one-purpose building, that in the event we were to default, and the bank or insurance company had to take over the property it would be exceedingly difficult to find another user. The alleged danger to the commercial lender is enhanced by two additional factors: (1) We are a nonprofit organization. Although at that time (1957–58), the foundation had not yet officially been incorporated, our program was owned and operated on a "trust" basis by the medical group. Nevertheless, we were considered to be working within a nonprofit framework. (The foundation was actually incorporated in October 1958.) Apparently, commercial banks and insurance companies frequently consider nonprofit organizations not to be particularly good risks for investments. (2) We operate in a small town, semirural area. The Harrisville Clinic is in a completely rural area, which, in the eyes of the lenders, made the one-purpose nature of the building even more dangerous from the point of view of investment. This was true even though we showed that the clinic is within reach of 15,000 to 20,000 people living in the country and in towns of 500 to 3,000, within a radius of about 10 miles.

"In 1961 and 1962 we accumulated some reserves in our building fund. It was our understanding at that time that we would probably have to have about one-third in cash of the planned construction and equipment cost of any facility, in order to borrow the rest from a commercial institution. The only realistic source was again the Nationwide Insurance Co., but even here some question existed, because for our $45,000 mortgage for the Harrisville Clinic we were required to have our physicians personally sign the note. The doctors involved were reluctant enough to sign a $45,000 note. One could hardly expect them to sign a note of the size we would be considering in building a central clinic in Bellaire; namely, something in the range of $500,000 to $800,000."

Group practice has a record of great accomplishment in providing comprehensive health services of high quality at a reasonable cost, in part by reducing tremendously the need for expensive hospital days.

Its promise cannot be fulfilled unless the present bottleneck on capital investment is removed. The present proposal is a modest one. It is, if anything, too limited, not too ambitious. Since it costs perhaps $200,000 to start a group health plan, matching grant moneys for nonprofit sponsored comprehensive

prepaid group practice plans might well be provided. But, I recognize that does not seem feasible for this bill.

Legislators from both parties will, I am sure, help bring a prompt improvement in this difficult situation by backing the principles of this legislation.

Thank you for the opportunity of expressing my views and in sharing some experiences.

Respectfully yours,

LESLIE A. FALK, M.D.,
Chairman, Medical Rights Committee, Pittsburgh, Pa.

Mr. BARRETT. Also at this point in the record I would like to submit a very fine statement on H.R. 9256 by the American Public Health Association, Inc.

(The statement referred to follows:)

THE AMERICAN PUBLIC HEALTH ASSOCIATION, INC.,
Washington, D.C., March 9, 1966.

Hon. WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing, House Committee on Banking and Currency, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The American Public Health Association, a professional society comprised of over 16,000 members representing physicians, dentists, nurses, engineers, hospital administrators, and several other health disciplines in Federal, State, and local official and voluntary public health agencies, is pleased to support the principles and objectives incorporated in H.R. 9256. We hope that this statement of our support will be made a part of the official consideration of your subcommittee of H.R. 9256.

As you and your subcommittee know consumer-sponsored, nonprofit, prepaid group practice clinics which are not affiliated with a hospital are at present excluded from Federal financial support. It has been our experience that these nonprofit group programs have, in the main, stressed preventive services and rehabilitation, prevented unnecessary hospitalization with consequent economies in the cost of health services, and yet provided health services of high quality.

It is, as you know, difficult to obtain long-term, low-interest-rate financing for the construction of needed health facilities from other than Government sources. We believe the exclusion of this method of providing service to be unwarranted. There should be no misunderstanding as to our position, however. The policy of the APHA should in no way be construed as a belief that group practice is the sole answer to our problems of providing health service. But it is a method quite acceptable to many, a method preferred by some such as churches, unions, and cooperatives to cite a few.

It is our understanding that the program proposed in H.R. 9256 would provide a minimum risk to the Federal Government, the fiscal safeguards appear to be most adequate. We urge upon the subcommittee consideration of a requirement that the physical plans of facilities covered by this program meet the professional standards established by the U.S. Public Health Service in cooperation with State and local health agencies. There should not be different standards for facilities which are supported by different Federal agencies. We suggest, therefore, a strengthening of section 204 of the bill.

We appreciate your interest in this matter and respectfully request your favorable consideration of H.R. 9256 with the amendment suggested.

Yours truly,

BERWYN F. MATTISON, M.D.,
Executive Director.

Mr. BARRETT. I have one or two short questions. H.R. 9256, introduced by Mr. Patman, would authorize FHA to insure loans for the construction of facilities to be used for group medical practices. It would also provide for direct loans by the Department of Housing and Urban Development in the event that private lenders are unable or unwilling to make FHA insured loans.

Direct loans, of course, are more controversial and I wonder whether the subcommittee should consider authorizing only the insurance of loans by FHA and not authorize direct loans. FHA already has a nursing home insured loan program which seems to be working well

and seems to have the cooperation of private lenders. In view of this, and in view of the fact that FHA-insured loans are eligble for FNMA's secondary market operation, what would you think if the subcommittee reported a bill which would confine the new program to FHA-insured loans? In that way we can get the job done at no cost or burden to the Treasury.

Mr. BRINDLE. I am sure that the provision to insure loans would be most helpful. The Kaiser plan representative has indicated this would meet a great need. I think there are instances, however, where actually making the loan would move some of these programs forward, although I would certainly indicate that it would be a great advantage to have loan guarantees.

Mr. BARRETT. Mr. Doherty?

Mr. DOHERTY. We in the AFL–CIO would have some reservations about removing the direct loan feature of the program. These reservations would be based up predicating group practice upon the vicissitudes of the mortgage market. It is our understanding that these group loans or the direct loans are made available in the event that the regular FHA financing is not available. We think that it is a very worthwhile supplement to have in the bill.

Mr. BARRETT. Any other comments?

Mr. VOORHIS. I would like to add a word, Mr. Chairman.

I would agree that the most important—probably the most important provision is the loan guarantee provision because I am certain most of this will be done that way. I will be very honest with you and say that if, in the judgment of this committee this change would make a difference between getting the bill passed or not, I would want to trust to your judgment and pass it with the loan guarantee, but I agree with Mr. Doherty very much, that there are going to be cases where the possibility of the direct loan is going to make a lot of difference. They may not have to be made, but the fact that they could be made will, I think, have an effect that will be very important, especially to small places. I hope that it would stay in the bill, Mr. Chairman, for that reason, and I think our experience shows that where we got these two things coupled together, the amount of direct lending is usually comparatively small. In order to meet the direct loan people have to show it is impossible for them to get even a guaranteed loan from and source. This isn't going to be easy to do and if this is available it is reasonable that there should be.

Mr. BARRETT. Any more comments?

Mr. KINGREN. The Kaiser Foundation Health Plan believes the suggestion you made to be a very constructive one. This as I understood your statement would make FNMA loans available for group practice facilities in case local lending agencies were unable or unwilling to make loans to qualified borrowers. However, we have one other point. We think that perhaps there ought to be a provision in the commitment for two separate loans, one for equipment, which has a more rapid amortization rate, and the other for land and buildings. We suggest that a 25-year amortization period for construction and a 7- to 10-year amortization schedule for the equipment. The obsolescence rate for certain pieces of equipment is extremely rapid and for others it may as long as 15 years. But the average, probably, would be from 7 to 10 years.

Mr. BARRETT. Mr. Kingren, I do not know if you have been reading my mind or not, but you actually answered a question that I was going to put to you.

I think you have to consider the life expectancy of the facilities in order to properly combine these things and get a package mortgage on them.

Mr. KINGREN. To give you the supporting reasons for our feeling in this matter, we take, for example, a 10-doctor clinic. In our experience, the land and building will cost about 80 percent of the total expenditure and 20 percent will be for equipment. The total cost of a 10-doctor to 12-doctor clinic will be between $400,000 and $500,000. That's land, including parking facilities and a serviceable building for a diversified medical practice.

I am talking about a satellite clinic for a central integrated outpatient and inpatient hospital facility. We include X-ray, laboratory, outpatient surgery, and doctors' offices in our 10- to 12-doctor clinics.

Our cost for equipping the 10-doctor facility is about $10,000 per doctor, and the equipment cost for the entire clinic is as follows: $30,000 to $40,000 for X-ray equipment—that is assuming you do not have a radiologist who would need more expensive specialized types of equipment; $5,000 to $10,000 for laboratory equipment; $10,000 to $15,000 to equip the outpatient surgery; $5,000 to $10,000 for office equipment; $30,000 to $35,000 for furnishings which would have a much longer life expectancy than, say, an X-ray unit which might become obsolete next year; and physical therapy equipment would be from $3,000 to $5,000. I am not sure of the arithmetic, but I think this adds up to from $83,000 to $115,000. So, on the basis of a $500,000 clinic total expenditure, the fixtures and equipment will be about 20 percent of the total cost. We consider this to be a substantial part of the investment and suggest the shorter amortization schedule for this equipment.

Further, a short amortization schedule makes for greater flexibility, since a piece of equipment which becomes obsolete in a few years because of scientific improvements, can be replaced immediately.

Mr. BARRETT. Then you are now indicating that this thing would be better considered by all concerned on a two-loan approach—one for construction and one for facilities, and this would give you a chance, when your equipment is becoming obsolete or depreciated, to renew it?

Mr. KINGREN. That's correct, sir; and further insures a higher standard and more up-to-date standard in the medical services provided the members.

Mr. BARRETT. What period do you consider on the facilities sector?

Mr. KINGREN. We thought 25 years as provided for in the bill.

Mr. BARRETT. You are talking on a structural loan?

Mr. KINGREN. Yes.

Mr. BARRETT. I am talking on a facilities loan.

Mr. KINGREN. You mean equipment? If you wanted to take a conservative viewpoint, you could use a 7-year schedule and if you wanted to be more liberal it could be 10 years. Any figure in between also could be used.

Mr. BARRETT. Mrs. Dwyer?

Mrs. DWYER. This is to Mr. Brindle. What are your total needs and how much of it is housing and how much is facilities; do you know?

Mr. BRINDLE. You mean housing versus equipment?

Mrs. DWYER. Yes.

Mr. BRINDLE. I just gave as $5.2 million the cost of the facilities needed. The figure of 20 percent of that amount, perhaps a little higher in our case because our medical centers are not connected to hospitals necessarily—something around 30 percent in addition to the $5.2 million would be needed for equipment.

Mrs. DWYER. This is New York?

Mr. BRINDLE. I am just talking about the health insurance plan. If you look at the attachments to the statement I made here, Dr. Dearing totalled them up. They run about $18,400,000. I don't think that these needs are sorted out between equipment and facility. For instance, HIP's figure is $5.2 million and that is just the facilities—just the buildings we are talking about.

Mrs. DWYER. I totaled them up as we were going along and I got a total of $29 million.

Mr. BRINDLE. Some of that is for hospitals. The Community Health Association figure includes nursing homes and some other things. Puget Sound has $3.5 million in here for hospital extension and this we took out. They were talking about their total needs but it wouldn't seem correct to add them in when we are talking about this bill.

Mrs. DWYER. When you consider you take $18 million or $29 million and then consider the needs of the entire country, how much would this program really cost?

Mr. BRINDLE. I don't think you can say. As a matter of fact, this is just a fraction of what might advantageously be used if we get the encouragement of legislation like this. All of us would really try to help consumer groups to develop new programs. I have had some experience in this myself, Kaiser has had extensive experience and GHAA has instances where we believe we could get new group practice prepayment plans started if this legislation was available. I don't think you could very accurately predict this, but I would think that putting, as you do, a 4-year limit on the operation of this act, and specifying the amount of money available, we would see how far it goes. It might all be needed. My feeling is that the $200 million suggested in the bill is not an unreasonable figure for loan guarantees.

Mrs. DWYER. I was very much interested in the statement made by the AFL–CIO on their recognition of the shortage of nurses and nursing homes and hospitals and doctors when this medicare plan goes into effect. I am not yet convinced that this plan is going to take up the slack which we need to properly function as far as the medicare plan is concerned. I am very much concerned that we did not do enough work before we passed this bill in getting nurses and doctors, and I am not sure whether this group plan is the answer to the problem.

Mr. VOORHIS. I just want to comment on both those points, if I may.

First of all, I don't think the Federal program has cost the Government anything. We don't anticipate this is going to cost the Government any money. We are going to pay these debts back. This is a guarantee for private loans so I urge that you not consider the $29 million or the $18 million, either one as a cost to the Government. It certainly won't be. We want to pay back every dime. I am sure we will. The plans will.

On the second point I would agree with Mrs. Dwyer very much that we didn't do enough work in helping to train far more doctors and nurses than we did. I think this should have been stepped up tremendously and I think it is going to have to be. But our point here in our testimony is, that the impact for these plans is literally to sharply reduce the hospital utilization rate and to the extent that they expand, people can be well taken care of without having to spend anywhere near as much time in the most expensive type of care without demanding the most professional personnel.

Mrs. DWYER. You are really talking about preventive care?

Mr. VOORHIS. Yes, indeed I am. I have just gone through some of it myself.

Mrs. DWYER. Thank you.

Mr. DOHERTY. We would like to thank Mr. Voorhis for answering the questions. We agree with him wholeheartedly.

Mr. BRINDLE. I would like to make an additional statement.

We don't see this bill as the answer to many of the problems of adequate medical care for the American people, certainly not to the shortages Mr. Voorhis indicated.

But the more effective organization of these group practice prepayment plans has demonstrated they can reduce hospital utilization—one step toward ameliorating some of the problems we are going to run into.

Mr. BARRETT. Mr. Shoemaker, do you want to comment?

Mr. SHOEMAKER. I think we can see group practice as one way to meet the volume demand that will be developing out of medicare legislation. We certainly realize that this is not the only answer, but certainly one of the answers.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Mr. Chairman, I would just like to address this collectively, if I could, just to see if I understand this now in relation to the other testimony this morning.

As I understand it, the doctors themselves have no difficulty financing group practice or clinics when they do it themselves. But the difficulty that you are reciting here this morning is the difficulty encountered by the nonprofit corporations which themselves are conducting the group prepayment plan, or whatever you want to call it. But that the distinction—that is the distinction, is that correct? The difficulty that Mr. Kingren, for example, encountered with the $400,000 unit with 10 doctors in it was the difficulty being encountered by that particular nonprofit corporation. Would you agree with me, and am I correct, however, that the 10 doctors themselves could undoubtedly go to the bank and borrow the equivalent of $40,000 apiece to finance that particular unit?

Mr. KINGREN. In speaking for the Kaiser Foundation Health Plan, I have to be a little apart from these other gentlemen because our organization is a little different. We have a totally integrated program, including hospitals and outpatient facilities.

We don't pay doctors a salary. They are organized into partnerships and they are paid on a capitation basis; that is, they are paid so many dollars per health plan member per month. Part of our contract with the medical groups is to provide them with equipment

and facilities. So it is not the doctors' responsibility to finance the facilities in our program.

Mr. HARVEY. Do not misunderstand me. Correct me if I am wrong. What I am saying is, the doctors themselves could go to the bank and finance themselves. Have you had any letters from doctors saying they have been unable to finance this particular program or—doctors or dentists that have been unable to borrow money?

Mr. KINGREN. Doctors cannot finance the kind of organization we have. They cannot get that kind of financing.

A single doctor or group of doctors, in individual practice or group practice, can get financing for an office and equipment. They are good credit risks—consequently, they have few credit problems. But if you are organizing total medical services, including outpatient, inpatient, and specialized care, it is impossible for doctors to get that kind of financing, nor do they try to finance or organize total medical care.

Mr. BRINDLE. When you say physicians and other health practitioners can get equipment and get loans for equipment and for facilities, to get into practice, I think this is generally true. The American Medical Association testimony has indicated this and you don't have any great need for a general program.

As Mr. Kingren indicates, when you want to get—and remember that in all these plans physicians are involved. We have heard vociferously from physicians in group practice, with a very broad range of benefits, and these arrangements for a new organization, we have constant pressure from the 1,000 physicians involved in our program to help them upgrade and update their facilities or to help them build new facilities. The last time we tried to extend into suburban areas we found that it was absolutely necessary to develop the kind of very complex and expensive facilities that were needed to develop a comprehensive group-practice plan.

I would also say this, and I was talking to the commissioner—the former commissioner—of health in New York City the other day and to the dean of the school of Public Health of Columbia. They are very concerned about the fact that the normal commercial arrangements which the doctors can make to go into practice operates good on a nationwide average basis, but when you talk about getting an adequate medical center with a good range of specialties into a place like Harlem or Bedford-Williamsburg, they just don't have that kind of ability. So that I would say even prepayment aside, this kind of program would encourage groups of private physicians who are going into a fee for service practice, it would help them get into some of these relatively tough areas. In Harlem and in Bedford-Williamsburg we have worked out cooperative programs with the city to carry part of their public load of medical care, and to carry some of the other programs and this is true for Gouverneur Hospital which is a joint city, private venture and this kind of financing would facilitate bringing even fee for service practice into tough areas in the city. These are new areas of shortages of adequate physicians' services.

Mr. HARVEY. Well, speaking of these shortages, I agree. But yesterday, I will tell you, our Interstate Commerce Committee reported out an international health bill and I voted for it. But here we are taking hundreds of doctors a year and sending them abroad. This is despite the fact that we have shortages in this country. It amounts to

thousands actually that we are going to take out each year and send abroad to various places and give them additional stipends to what they would be earning here. I have a question I would like to ask Mr. Doherty.

Does the AFL–CIO or maybe in your knowledge any other organized labor association have any program of loans for this particular thing? I have been reading where the labor unions make substantial loans of money to lend and money to investment purposes. Have they invested in any of these group practice clinics? Do they have any provisions for such loans?

Mr. DOHERTY. I will let Mr. Shoemaker answer.

Mr. SHOEMAKER. I think we have to realize that health, welfare, and pension plan money is very conservative money and that, generaly speaking, investment of these funds is through a fiduciary trustee such as an insurance company, bank, or trust company, so you come around to the same thing. Ninety percent of these plans are actually administered by employers. So, generally speaking, we actually don't have any control over the use of these funds for this purpose.

Mr. VOORHIS. I would like to say this. I would like to point out that in the case of investments out of welfare and pension funds, labor unions or churches or other groups like this, that these are very strictly controlled and that the guarantee involved in this legislation would present them with quite a different picture and opportunity and I would guess that there would be many instances where, with a guarantee such as this bill provides, it would be possible for the first time for some such funds to extend financing for these purposes, legally and properly, whereas they couldn't do it before.

Then, I would also like to comment briefly on your original question, if I might just by pointing this out, that our major concern, Mr. Congressman, is the one that you pointed to, at least mine, is with the plan itself, which is a nonprofit agency and therefore cannot offer the hope and expectation of substantial earnings as a means of backing up its request for a loan.

I would agree with you that there are cases where groups of doctors who are in business to make money, and who do, have got a different situation than a nonprofit plan and where the need is probably less. But I would second very earnestly what Mr. Brindle had to say and point out that if a group of doctors, even though they are not in one of the plans we represent, are willing to go into a community that has great need, I think they should be encouraged.

Finally, I would like to point out that in the case of a number of our plans, the doctors personally have been asked to sign notes against their personal credit in order to help get some of the most essential financing for some of these plans and that we don't think they ought to have to do that and under this bill they wouldn't any longer have to do that. They have to pledge their personal credit which in some of the plans they have actually done.

Mr. HARVEY. I do not know how it would fit into this plan. I do not know anything wrong with doctors pledging their personal credit any more than I do with other businessmen such as lawyers or other businessmen. This is one of my concerns in this bill, that you are taking the FHA, which has been a revered organization in American

history for the last 30 years and which has one of the finest records that I know of, but you are taking that organization and making a complete departure and you are not only insuring real estate, but now you are insuring loans on equipment as well. This is something that I do not know, whether it is good or bad. I have not really thought it through myself.

But I do recognize it is a complete departure from what we have been doing with the FHA in the past.

I have no further questions.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. I have no question, Mr. Chairman, but I do want to tell these gentlemen that they have added much to these hearings with the information they have brought us. This is a big problem and we need some good solid thought on it.

I joined one of the first group health plans in the country when it was opened in St. Louis, back in the late 30's. I was not in it very long because I married a Congressman shortly afterward and we spent practically 12 months a year in Washington during those war years. But I have always felt these plans are a good idea.

Thank you very much.

Mr. VOORHIS. We are very glad Mrs. Sullivan left town for the reason she did.

Mr. BARRETT. Gentlemen, all time has expired and I am quite sure the committee appreciates your splendid presentations here this morning. You have been a splendid panel and a very knowledgeable one and extremely helpful to us.

Thank you very much.

Mr. BRINDLE. Thank you very much.

Mr. BARRETT. The subcommittee will stand in recess until 10 o'clock on Monday morning.

(Whereupon, at 12:30 p.m., the subcommittee adjourned to reconvene at 10 a.m., Monday, March 14, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

MONDAY, MARCH 14, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Moorhead, St Germain, Reuss, Widnall, Mrs. Dwyer, and Harvey.

Mr. BARRETT. The meeting will come to order, please.

Our first witness this morning will be the Honorable Thomas G. Currigan, mayor of Denver, Colo.

Mr. Mayor, if you will come to the witness table, we will certainly be glad to give you an opportunity to offer your testimony in any way that you desire.

Mr. CURRIGAN. Thank you.

Mr. BARRETT. Mr. Mayor, we do want you to feel at home here, feel completely relaxed. Certainly if you desire to offer your testimony in full, we may ask you one or two questions after you complete your testimony. If you desire to submit it in any other fashion, you may do so. We will leave this entirely up to you.

You know, Mr. Mayor, I do want to take advantage of this opportunity. We have here, and I am quite sure you know Colorado has sent us one of the ablest Members that has ever been in Congress. He has proved to be one of our top legislators in the House. And I am quite sure he would like to introduce you here this morning. I am first going to recognize my good friend Byron Rogers from Colorado.

STATEMENT OF HON. BYRON G. ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. ROGERS. Thank you, Mr. Chairman. It is always a pleasure to appear and cooperate with you and your subcommittee considering housing and urban renewal.

We in Colorado, and particularly in Denver, are proud of the fact that we have an outstanding young mayor, by the name of Thomas G. Currigan. He is no stranger to municipal affairs. Prior to the time that he was elected mayor in the city and county of Denver in 1963, he was the city auditor for 8 years. He has been active in the public affairs of the city and county of Denver for many years.

During this period of time, he demonstrated an intense interest and knowledge of the housing problems in the city and county of Denver, and particularly the blighted area.

It has been the intention and program of the mayor, Thomas G. Currigan, to try to remove those blight situations. This is one of the reasons why we have an urban renewal project in the city and county of Denver.

It is my great pleasure to introduce to you the man who has worked hard for housing throughout the many years he has been in public service, the Honorable Thomas Currigan, mayor of the city and county of Denver.

Mr. BARRETT. Thank you, Mr. Rogers.

You may proceed, Mr. Mayor.

STATEMENT OF HON. THOMAS G. CURRIGAN, MAYOR, CITY AND COUNTY OF DENVER, COLO.

Mr. CURRIGAN. Thank you very much.

I want to express my appreciation to our esteemed Congressman, and certainly a friend to everybody in our community, not only for the very complimentary introduction, but the tremendous job he has done in representing the people of Denver for many, many years.

Let me say to you, Mr. Chairman, when you made a comment about making yourself at home—you have done an excellent job of doing this ever since I had the pleasure of meeting you in the elevator some 15 or 25 minutes ago.

My name is Thomas G. Currigan, and I have the privilege of serving as mayor of the city and county of Denver, the capital city of Colorado.

I am grateful to you for affording me the opportunity of appearing before you, and to Denver's own distinguished Representative, the Honorable Byron G. Rogers, for interceding with the committee on my behalf. I am here in support of H.R. 12341, the Demonstration Cities Act of 1966.

Recognizing the tight time schedule under which the committee is operating and the fact that you have already heard from representatives of various city-oriented groups and mayors of several American cities, I will keep my remarks relatively brief.

It is of great importance to me and the city I represent and to other mayors of western cities for you to be advised that western cities, though younger in years than their eastern counterparts, also have problems.

These problems challenge the ingenuity of every American who is concerned with the environments now existing in our always-growing urban centers. It matters not whether these urban centers are in the eastern or western section of our great Nation, whether these urban centers are relatively old or comparatively new. The problems exist and must be resolved. Many times we feel that, because of the distance between the West and Washington, our problems appear to you to be disproportionately small. We have full confidence, however, that this committee, with its long history and tradition of championing progressive urban legislation will hear and heed the voices from the West.

I recognize full well that many of the older eastern and midwestern cities are in critical need of the assistance the Demonstration Cities Act can give them to launch a massive attack on slum areas that have been in existence for many, many years. Denver has just recently celebrated

its 100th birthday, so our slums are not as vast or as widespread or as severe. But we have them. As a core city of a great and growing metropolitan area, we certainly have not hit rockbottom in deterioration. But we have areas that are sliding. We do not have any deficit financing in our city budget, but our financial problems are critical.

Transportation, highway, police and fire protection, sewage disposal facilities, libraries—all the facilities and services wanted, expected, and deserved by our citizens—are taxing our resources to the breaking point. Urban sprawl with a multiplicity of taxing bodies and community services, coupled with ill-planned, wasteful development, are just as real for us as they would be if we were three times our present age.

We in the West still possess a pioneering spirit and enjoy the challenge of seeking new methods of solving old problems, of exploring better means to reach loftier goals. We like to blaze new trails of procedures and climb high mountains of accomplishments. But we are not foolish enough to spurn proffered assistance, to refuse to grasp a helping hand.

In Denver, we do not look upon the Federal Government as a threat to our local governmental structures, nor upon the State government as a rural-dominated fortress dedicated to withstanding the siege of urban progress.

Next to Washington, Denver is the base for more Federal agencies than any other city in the Nation. And it is the capital of Colorado. Thus, government is one of Denver's major industries. Our citizens feel the State and Federal Governments belong to them and are in existence to serve them just as much as the city government. Each citizen of Denver, like citizens in all other American communities, contribute a portion of their incomes to the support of these governments.

While we believe in exercising maximum local responsibility to meet local problems, we also firmly believe in seeking State and Federal assistance to resolve problems that are beyond our capability of solving. There is, and should be, a partnership among these three levels of government. A spirit of creative federalism must exist if our urban centers are to resolve their problems.

This committee especially recognizes this theory and, in fact, has been cognizant of it for more than 30 years since it has considered proposed urban legislation as long ago as 1933. In 1937 it approved the U.S. Housing Act which created a local-Federal partnership to help meet the housing needs of mushrooming urban populations. This committee has, over the years, collected a great storehouse of information concerning urban problems. The creation of the Department of Housing and Urban Development in 1965 was the culmination of more than three decades of leadership by this committee, by the Congress, and by several administrations.

The Demonstration Cities Act of 1966 is yet another of the progressive pieces of legislation considered by this committee. I am convinced that it, like so many others, will be examined carefully and ultimately approved. Denver, and other western cities, I believe, view this act as an insurance policy, as an investment in the future of our cities.

Because Denver and most urban areas of the West are relatively young, we have an opportunity to arrest blight, to rehabilitate rather

than demolish, and to grow according to comprehensive plans, thereby creating cities of lasting beauty and sound community environments. Unfortunately, we didn't start that way, we have made mistakes, and western cities need help to readjust and get on with the job of sound planning. By acting now, they can achieve more, and at less public cost.

In Denver we recognize that we must have Federal assistance and cooperation. We also recognize that, to obtain it, we must meet our responsibilities to the full. Denver has an outstanding planning commission, urban renewal authority, and community development agency. It has an active housing authority and one of the first commissions on community relations to be formed in the Nation. We have an excellent workable program with all of the essential city services that such a program requires, and we were one of the first cities in the country to complete and have approved a community redevelopment plan, which we are keeping constantly current. To the best of our ability and to the full capacity of our resources, we are working toward the elimination of blight, to stop its further spread, and to provide the countless services required of a core city in a metropolitan area that now has a population of more than 1 million people.

Our citizens believe in the future of their city and have attested to that faith time and time again by going to the polls and approving multimillion-dollar bond issues for a myriad of purposes. Denver is located in a semiarid area, so its citizens have approved a $115-million-bond debt to bore diversion tunnels through the mighty Rocky Mountains and bring lifegiving water from one side of the Continental Divide to the other. Denver has been discovered by people in all areas of our Nation and they have moved here with their families by the thousands. Denver citizens have responded by approving a school bond debt of $40 million to build new schools for the children of these families. Increased population caused a sewage problem. Denver citizens, banding together with those in surrounding counties, approved a $30-million debt to construct a vast new metropolitan sewage disposal facility. Denver needed a new general hospital, a convention center, additions to our juvenile detention facility and several other major structures. Our citizens responded by approving a $25-million-bond issue—the largest ever approved for city purposes. Time and again our citizens have demonstrated their confidence in the air age and Denver's place in it by approving multimillion-dollar-bond issues for new construction and improvements at our Stapleton International Airport.

So we are willing to pledge our own resources to resolve problems. But to achieve the kind of a total job that must be accomplished in our community, we need the kind of assistance President Johnson visualizes and recommends in the Demonstration Cities Act.

I concur wholeheartedly in the President's objectives, and in his concept of the Demonstration Cities Act. I would be remiss if I failed to express my concern as to the adequacy of the recomended funds both for planning and execution. I agree with Mayor Cavanagh's analysis when he appeared for the National League of Cities and the U.S. Conference of Mayors. I feel that this is a great beginning, but that certainly the program should be funded from the very start by the $2.3 billion. I also question, as did Mayor Cavanagh, the de-

sirability of establishing a national competition for cities to be designated as "demonstration cities."

Up until now I have dealt in generalities. I would be remiss if I failed to speak specifically of Denver's needs and plans and offer a specific suggestion on how I think this act might be improved.

Last June 26, the Denver metropolitan area experienced a $300 million flood disaster through the valley of the South Platte River. Within 3 weeks the Department of Housing and Urban Development had funded a $240,000 urban renewal planning advance, to permit us to plan the renewal, replanning, and rebuilding of a 10-square-mile area, or 10 percent of the city's total land area, which cuts through the very center of our city. Without Federal help, it would have been impossible for us to even approach this challenging job.

This Federal-local government partnership must be continued and the first task is to achieve maximum flood controls on the South Platte River and its many tributaries. With cooperation from the Congress, the U.S. Army Corps of Engineers, the Colorado Water Conservation Board, and others, work toward flood control and channel improvement is moving ahead.

Through our planning advance we are developing an overall, long-term guide for the redevelopment of the entire central section of our city. At the same time we are preparing plans for immediate action based on their economic and financial feasibility. Both our long-term guide and our immediate program plans will be completed within the next 6 weeks.

Our plans call for the rehabilitation of housing and industry, the creation of extensive parks and recreation centers, beautification of the entire river channel and valley, the creation of a historical and cultural center, possible sites for a major metropolitan college and technical center and a sports center, vital new industrial parks, improved transportation and highways facilities, mid-city sites for housing for low- and moderate-income families, the elimination of slum housing and slum industry, and the creation of a central-city tourist center.

Disaster forced Denver to face up immediately to its major area of blight and to plan for its redevelopment. We are planning for the total job. Our economic and financial feasibility studies which are nearing completion will tell us the costs, the benefits, and the actions required to get the job done.

I mention this specific planning program in some detail, because it meets all the criteria so ably set forth by President Johnson. To get the job done will require Federal assistance, and every local resource that we can command. The planning is not only an example of creative federalism but also a splendid lesson in creative localism.

I present the facts about my city of Denver as typical of the growing West. We ask only to participate on an equal basis with our sister cities throughout the Nation, every one of which can show a vital and present need for the benefits to be derived from the dynamic program recommended by our President.

We plan to create in the heart of our city a gateway to the West which will develop into a great national asset, a beautiful environment for the ever-increasing number of Americans who are making the decision to go West, and to live in Colorado. It will be part of our

beautiful national environment, which may be a "grand vision or a grand design," but with your help and leadership, it is one that is thoroughly feasible of achievement.

I have noted with great interest the proposal for a Federal liaison officer to be assigned to each demonstration city. I read of this proposal with mixed emotion since I favor the concept of a Federal liaison officer but disagree completely with the idea that this individual be assigned to the 72 Federal Housing Authority offices throughout the country. This does not infer that FHA is incompetent. It has performed services in the field of mortgage insurance over the past 30 to 35 years and has staff that is familiar with the financing of construction of new housing. But I do not feel FHA is equipped to assume supervision or coordination of the myriad of programs which President Johnson has envisioned for the demonstration cities program. Such liaison work requires persons with broad vision who understand and are familiar with the wide spectrum of problems confronting cities on a daily basis. Such an office, if created, must have authority to cut across all lines of endeavor and make decisions that could affect several different agencies. The occupant of this office should be a local man whose knowledge, reputation, and convictions would carry weight with both local and Federal agencies.

We in Denver have established an excellent working relationship with the Denver Federal Executive Board in our city. And this has been most helpful. What happens when a Federal-local program does not have a local coordinator with autonomy and authority is graphically illustrated by our war on poverty program. The Denver Federal Executive Board and I agree that many of the difficulties Denver has encountered in this program would have been alleviated if there had been a local Office of Economic Opportunity official in Denver with authority to make decisions. As it now stands, it is necessary to get decisions from the Kansas City regional office or from Washington a variety of matters. And you gentlemen know how difficult it is to transact this kind of business over the telephone or by mail.

I am not naive enough to believe that the needs of Denver or any other Western city are greater than those of Eastern cities. In fact, I believe that I am enough of a political realist to understand that some of the Eastern cities, facing overwhelming problems of slums and blight, probably will be and should be given priority.

I have described to you our efforts in the South Platte River development study for two reasons: first, I believe this plan is ideally suited for the demonstration cities program; and, secondly, it demonstrates conclusively how inexorably interwined are city-State-Federal programs. Literally, scores of agencies at all levels were involved in the flood cleanup and the planning that has followed. Unless you gentlemen have had the experience of sitting in a mayor's chair, I do not think you can comprehend the feelings of frustration that occur, when sitting in a city hall 2,000 miles away, attempts are made to coordinate efforts of several Federal agencies that are deciding matters that vitally affect your city.

I feel it is not only imperative to have a Federal liaison officer for the demonstration cities program but I think it would be vital to have such an individual in every metropolitan area of our Nation right now.

I would recommend that such a metropolitan area liaison officer have broad powers. He could not be effective if he were simply a messenger or complaint carrier from city hall to Federal agency. He would have power to cut redtape—to knock heads together, if you please—to activate many programs that now are just dreams. Such an officer could make creative federalism work effectively, and quickly, by reinforcing it with creative localism.

If such an office is created, the mayor of the core city and his council should have a voice in determining the occupant. This could be accomplished by having the mayor and city council submit a list of five or more competent individuals to the Department of Housing and Urban Development, and the Secretary could appoint the liaison officers from this group. Or, conversely, the Secretary could send the name of his choice to the local mayor and council for ratification.

In the war on poverty, local community action programs, to gain Washington approval, must demonstrate maximum feasible participation of the community, and the poor. In the creation of a metropolitan area liaison office, I think there should be maximum feasible participation by the core municipality.

In conclusion, I urge adoption of the Demonstration Cities Act of 19666, with the amendments already suggested by spokesmen representing the U.S. conference of mayors and the National League of Cities.

I appreciate the opportunity of presenting this statement to you. Thank you.

Mr. BARRETT. Thank you, Mayor Currigan, for your very edifying and splendid statement.

You mentioned on page 5 about the coordinator. I would like to ask you a question that I have asked several of the other mayors and other witnesses who have appeared before us.

Some people seem to feel, at least have a feeling, that the Federal coordinator which the bill would set up for each demonstration city program would be some sort of a Federal dictator or czar.

Now, of course, I don't believe this. And I think that the bill is clear that he would not have dictatorial power.

But I would like to ask you the two questions I have put to these other witnesses.

Would the people who have such fears feel better, do you think, if we renamed this Federal official as a local coordinator rather than a Federal coordinator? And, second, what do you think of the idea of making the services of the coordinator optional to participating in cities rather than mandatory now as provided in H.R. 12341?

Mr. CURRIGAN. Yes. Insofar as your first question, Mr. Chairman, I think perhaps the suggestion—I would concur with it. I do think there is what in my personal opinion is usually an incorrect and unfounded though in the minds of many that the Federal Government represents the enemy, almost, and perhaps—and again I think this is largely psychological or mental—but perhaps the nomenclature of local coordinating officer might dispel a few of those what I believe are really psychological barriers, and in most cases I am convinced they are totally unfounded.

So I personally think that suggestion would have merit, and I would certainly concur in that.

Insofar as the question whether mandatory or optional, I would probably indicate that optional would be our preference. We know what our resources are at home, and with the problems that are confronting us as we become an urban nation, I do not know frankly of any city that can stand on its own feet under our present legal structures. But I do think there is usually merit to anything that is optional rather than mandatory.

Mr. BARRETT. Thank you, Mr. Mayor.

For the committee's benefit, we will work under the 5-minute rule this morning.

The Chair recognizes Mrs. Dwyer.

Mrs. DWYER. Thank you, Mr. Chairman.

Mr. Mayor, you are an excellent advocate for the demonstration cities program, and we are aware of your problems. Now, specifically, how much does your city need in Federal funds to carry out a demonstration city program?

Mr. CURRIGAN. In dollars and cents, I could not say whether we are talking about $1 million, $10 million, or what the figure is. For example, the specific problem, which is just one of many, that I did cite in my prepared text, regarding our South Platte River Basin, which, again, is 10 percent of our land area—this feasibility study that is being done, again thanks to Federal assistance, will be done in about 6 weeks. I have no idea what the comprehensive plan—the cost figure, will be put on this particular project.

I wish I could be specific. I cannot be. But I am certain that it is—whatever it is, it is to do the job within, say, perhaps the next two decades—if other than the most piecemeal, we would have to have substantial Federal assistance.

Mrs. DWYER. You wouldn't know how much you would need in the next 6 years, would you, the life of this program so far?

Mr. CURRIGAN. No, I could not give that to you right at this very moment. But certainly while this—I could obtain figures for the committee, and be more than pleased to send them to you for consideration just as quickly as possible.

Mrs. DWYER. Mr. Chairman, may we have that for the record?

Mr. BARRETT. They may be submitted. Without objection, so ordered.

(The information requested may be found on p. 1120.)

Mrs. DWYER. Since you do not know the figures for the city, you would not then be able to guess how much the State would need, or the entire country, for a program such as this?

Mr. CURRIGAN. No.

Mrs. DWYER. The administration, Mr. Mayor, has spoken to us of expenditures reaching $2.3 billion, and 70 cities. Testimony previously taken from some of your fellow mayors would indicate the general opinion that $2.3 billion is not enough and 70 cities is too few. Could we have your thoughts on this subject?

Mr. CURRIGAN. Again, it would have to be pretty general.

Again, being closely interwined with municipal government now for approximately 17 years, I would have to think with the problems of urban America that $2.3 billion would be insufficient to do the job.

In our city it is relatively new. I can well imagine the problems in the east and midwest.

I would be inclined to think again that $2.3 billion undoubtedly would be an excellent start, but if anyone had the idea that this would be—put our urban centers, cure the ills we are trying to—not that we will ever cure them, but make anything more than a good start, I think they are kidding themselves.

Mrs. DWYER. You take the position then, of one mayor who talked about the figure of $10 billion.

Mr. CURRIGAN. They undoubtedly have done some research. Undoubtedly I would be inclined to agree with them, because I am sure they would not just pull it out of the air.

Mrs. DWYER. Mr. Mayor, I would like to ask you another question, as to your estimates of Denver needs.

We are in the process of voting $13 billion for the war in Vietnam. The war would seem to be going on far into the future. In view of this, do you think that we should limit the number of cities to something less than 70 cities we so often hear of as the top administration goal?

Mr. CURRIGAN. Well, now, in weighing this with the Vietnam situation? In spite of all of our needs of our communities—and I do think that in some respects that our cities have been let go too long on our home front. I would have to—when you are putting it on that basis, even though the decision would be very difficult, I would be very wrong in my own mind to put our local situation ahead of our needs in Vietnam. In other words, to put it bluntly, while the plight of our cities is severely critical, priorities must be assigned, and we would have to say Vietnam comes first. Of course, you have to adjust yourself accordingly later on, as we do in our own city budgets. There are things that have higher priorities. You would like to do a lot of things. But, after all, you must be practical and you must be human, and you have to draw some lines. And this would probably have to be done here, too.

Mrs. DWYER. Thank you very much.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. I really don't have any questions of the Mayor. I think he has made a very good, comprehensive statement.

As we get into the details and look at the $2.3 billion included in the bill, I don't think any of us believe this is a realistic figure as to what is eventually going to be needed, We know that no matter how many cities—if this legislation is passed—would be awarded the necessary go-ahead for a demonstration program, they could not use the entire amount needed in 1 year or 6 years. On the other hand, we would hope that if this legislation is passed more money would be appropriated as the plans developed and as the needs were demonstrated.

Mr. Mayor, there is a further point I should make. In order to pass such a program we will need the support of Congressmen who—they may not be directly involved—but who could see, and recognize, the needs in the big cities where this kind of realistic planning is necessary. And I think we would have to figure on getting four good votes from Colorado, if this is going to be accomplished.

Mr. CURRIGAN. I would have to agree.

Mrs. SULLIVAN. Thank you.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Mr. Mayor, let me ask you first of all whether you think the Demonstration Cities Act should be confined to the major cities in America, where some of the greatest unrest and difficulties have been encountered.

Mr. CURRIGAN. I would say definitely "No." In fact, I think—I think this would be a very serious mistake, if this were to become a law, and then it were to be implemented by just your so-called major cities. This does not mean that I think the problems of your major cities, your highly populated cities, are not serious—they are. But I think proportionately your communities, regardless of whether they have 50,000 people or 10 million—the problems are just as acute to those people on their home base, whether they be in New York or Denver. And personally I would say it would be a very serious mistake if this only for your so-called major cities.

Mr. HARVEY. Do you think that the act should fix proportional amounts for the large, medium, and smaller cities?

Mr. CURRIGAN. My own frank opinion—I have never really shall we say, supported in principle and philosophy—earmarking. I would be hopeful that the administration would be flexible enough, and use objective discretion so that the programs would not be utilized out of proportion favoring one section of the country over another, which I think would be wrong, or favoring one population segment over another. But I would be hopeful, again, that the administrators of the program would have enough integrity and enough objectivity so that discretion could be flexible, and the job could be done without establishing rigid financial allocations.

Mr. HARVEY. Let me follow that up with this third question. Do you think that there should be some limitation in the act placed upon the amount that any one city or any one State could receive?

Mr. CURRIGAN. Well, if I am consistent with my previous answer, I have to to say the same answer and principle here. I realize——

Mr. HARVEY. Your answer would be yes or no?

Mr. CURRIGAN. No limitation.

Mr. HARVEY. You believe that no limitation should be placed?

Mr. CURRIGAN. Right.

Mr. HARVEY. I take it then to be consistent your answer would be that there should be no limitation geographically.

Mr. CURRIGAN. That is right.

Mr. HARVEY. In other words, it would not matter whether the one city in a State or a dozen cities in the same State all received the money?

Mr. CURRIGAN. This is true.

Now, here again, hindsight and foresight might be a little different. If it were administered in a way that it was out of proportion, whether it be by cities or class of cities, then I would wish I had not said what I did, but I just cannot help but believe that good administration would dictate otherwise.

Mr. HARVEY. Mr. Mayor, several of the other mayors who have appeared here have expressed a fear or apprehension that one of the results of this program would be to divert funds from other urban renewal programs.

You can see how that would come about, I take it.

Do you share that same apprehension?

Mr. CURRIGAN. I would undoubtedly share that same apprehension. As I say, I think it would be a mistake if there was—we take the same number of dollars and just try and spread them a little further. Again, I think this would be a sad mistake, and again we are kidding ourselves if we thing that we can do the job by the magic method, so to speak.

Mr. HARVEY. Thank you. I have no further questions, Mr. Chairman.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Mayor, I commend you not only for your very excellent statement, but for your very wise selection of my friend Bruce Rockwell as chairman of your urban renewal authority. I notice on page 3 you say you have a very excellent urban renewal activities program in your city, and I am sure that, in part, it is due to the fine work of the chairman of your authority.

Mr. Mayor, I certainly agree with your testimony with respect to the need for a metropolitan liaison officer in every metropolitan area, not just in the demonstration cities area.

I also agree with you that the local authorities should have some voice in the selection of this particular officer. I don't know if we can write it into law, but I would certainly hope that our report would contain language very much similar to the second paragraph of your testimony on page 6, where you suggest that either the mayor submit names which the Secretary can pass on, or the Secretary submit names that the mayor can pass on. I don't think it can be written into the law, but I think a very strong suggestion to the Secretary can be made in the report.

Mr. Chairman, I have no further questions.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

I would like to compliment the mayor on his statement—coming from a section of the country that I particularly personally find very pleasant, very beautiful. I appreciated the paragraph on page 2 wherein you very practically recognize the problems that are associated with the old cities, such as we have on the east coast, that you fortunately, with foresight, and with attention to what is happening at the present time, can really avoid, by comprehensive planning, and by rehabilitating, as you say, prior to blight entering into an area of a city.

I must say that my visits to your part of the country have proved what you say here is so.

One point I would like to discuss with you, Mr. Mayor, and that is what you said about the Federal coordinator.

You state that you feel it should be a local man. Well, that makes a lot of sense. He should know the local scene and the needs of the local community. But would you agree that the most important qualification for this man—perhaps we might have to establish a training program for people such as these—is an intimate knowledge of the many, many programs that he will be called upon to explain, and wherein he will be involved in expediting if at all possible on behalf of the community applications and approvals of applications?

Wouldn't you agree that that is more important than the locus from which he is drawn the fact that he would have the ability to perform the job as outlined?

Mr. CURRIGAN. I could not argue that. I think that is obvious.

Mr. ST GERMAIN. If he could be a local man also, you have the ideal situation.

Mr. CURRIGAN. If you don't have the capabilities or the knowledge, it is a hopeless cause whether he is local or not.

Mr. ST GERMAIN. This should go to a man who can do a job on behalf of the cities that need help.

Mr. CURRIGAN. I could not agree more.

Mr. ST GERMAIN. That is all, Mr. Chairman.

Mr. BARRETT. Mr. Reuss?

Mr. REUSS. Thank you, Mr. Chairman.

Mr. Mayor, you set forth in your testimony this morning the remarkable planning that Denver has been doing looking toward just such a demonstration city. On page 4 you say,

Both our long-term guide and our immediate program plans will be completed within the next 6 weeks—

And you go on to say—

I mention this specific planning program in some detail because it meets all the criteria so ably set forth by President Johnson.

I gather from what you say that if we had today a demonstration cities grant program in effect, Denver could be in tomorrow with a completed application.

Mr. CURRIGAN. We believe, yes.

Mr. REUSS. If that is so—and I am delighted to be told that it is so, and it is certainly a tribute to you and your associates in the city—do we need any special planning bonanza in order to put you in a position where you can qualify? It seems to me you have been able to do this with your regular Federal 66⅔-percent shared planning grants.

Mr. CURRIGAN. Of course the example that I spoke about in my remarks definitely was specifically the Platte River Valley Basin which suffered severely as a result of the June 26 flood.

Now, the feasibility, the planning, and the study on this 10-square-mile area, which runs right straight through the heart of Denver, as well as the metropolitan area—the feasibility study that is being financed by an advance from the Federal Government of $240,000, this will be completed hopefully now within the next 5 or 6 weeks. But the planning, as I would look at it—our planning for that project will be contained within what we have already received from the Federal Government. I do not believe we would need additional help for planning. This we have already got.

Mr. REUSS. The help, Mayor Currigan, that you got, the $240,000, that was pursuant to what is called section 701?

Mr. CURRIGAN. An advance; right.

Mr. REUSS. An advance in which the Federal Government ultimately pays two-thirds.

Mr. CURRIGAN. And we one-third; right.

And as far as the future is concerned on any other projects, I would see nothing incorrect about that same principle.

Mr. REUSS. On your interesting discussion of Federal urban coordinators, or whatever they are to be called, I gather that the central point of what you are saying is that they should not be confined just to those cities which happen to qualify as a demonstration city, but they should be available in metropolitan areas wherever they are needed and wanted.

And, secondly, they should be installed now, not in some future time when a demonstration city grant is given.

Is that correct?

Mr. CURRIGAN. Yes; very vehemently to both.

Mr. REUSS. You rejected the idea that the Federal Housing Administration's district offices could be used for this purpose, making the point that they are concerned mostly with mortgage insurance rather than urban renewal.

However, you don't exclude the possibility, do you, that in certain metropolitan areas an FHA official might be a knowledgeable person on urban problems generally, and might be the sort of person that the Federal Government would want to offer to the city as a local man who knew the business?

Mr. CURRIGAN. No—I am sure there probably notable exceptions to the rule. And just to make a flat statement—I would agree with you—because I am sure there are. But I think as a standard policy, by the very nature of their business, they are detailists, and do their work very well.

But when you get into this area, a much broader spectrum of the problems of an urban center, social included, I just do not believe that the rank and file administrator of FHA automatically is the fellow that is tuned in the best in this area.

Mr. REUSS. Thank you very much.

Thank you, Mr. Chairman.

Mr. BARRETT. Mr. St Germain?

Mr. ST GERMAIN. Mr. Chairman, if I might just follow up what Mr. Reuss was asking the mayor about—on the FHA office people. I think that we should tell the mayor that it seems to me that last week or the week before, we have had at least one if not two witnesses, who have said in essence the same thing, that they felt that the people in the FHA offices actually, as I recall it—the previous testimony was, they are too busy, as it is now, and I agree. I think it should be someone—he could come from an FHA office because of the experience he has, and he may have broader experience in addition to that. But certainly we would not want to add this as another function of the FHA office.

Mr. CURRIGAN. Right. This is a full-time job, a full-time responsibility, and to just mesh it in with something else, I would say you are better off to forget the whole works.

Mr. ST GERMAIN. They just could not do all of the work.

Mr. CURRIGAN. Right; just impossible.

Mr. BARRETT. Thank you, Mr. Mayor.

All time has expired.

We are certainly grateful for your testimony. I am sure it will be most helpful to us.

60-878—66—pt. 2——11

Mr. CURRIGAN. Thank you very much.

Mr. BARRETT. Our next witness this morning will be the Honorable Walter H. Bachrach, mayor of Cincinnati, Ohio.

Come forward, Mr. Mayor.

We are going to ask Mr. Gilligan to come up here.

Congressman, won't you come up here?

Before we recognize you, Mr. Mayor, we are going to yield to the gentleman from New Jersey, Mr. Widnall, who wants to ask a question of Mayor Currigan.

Mr. WIDNALL. Mr. Chairman, I basically have one question to ask. If I could get the answer now, fine; otherwise, he may submit it in writing.

Has any urban renewal bond issue or referendum failed in Denver during the existence of the urban renewal program?

Mr. CURRIGAN. There was an urban renewal bond issue that did fail about a year and a half ago.

Mr. WIDNALL. How is it that the urban renewal program is proceeding in the same area?

Mr. CURRIGAN. The urban renewal bond issue that was before the people, as far as our city administration was concerned—the bonding issue, which was again through general obligation bonds—we took this to mean that the people of Denver at least at that particular moment did not want further urban renewal through the use of general obligation bonds.

So we are pursuing the program through other than general obligation bonds in a very limited manner, unfortunately, in my opinion, but nonetheless we are pursuing it; but not the general obligation bond route.

Mr. WIDNALL. Then how are you going to finance from now on?

Mr. CURRIGAN. We are presently—through the operating budget, limited though it may be, from the general revenues of the city. But there is no bond debt involved.

Mr. WIDNALL. How much are you seeking from the Federal Government for this urban renewal program, the one that was defeated?

Mr. CURRIGAN. Of course the major item on this particular proposal was clarified, helped materially by the Congress about a year ago when our convention center which will be under construction within roughly 11 or 12 months, was accepted as an urban renewal credit.

So the major—we have probably one of the country's largest urban renewal areas, called Skyline Plaza. This again, thanks largely to this Congress, previous Congress, has made that possible by permitting us to use our convention center credits as our payment insofar as this Skyline Plaza project.

Mr. WIDNALL. Mr. Chairman, as I recall, that project was included in the last few minutes of debate on the House floor without any prior hearing, without any discussion before the committee, and after it was accepted, there was a great deal of misgiving about what had taken place on the House floor. I was at a conference between the House and Senate conferees, and they said it set an extremely bad precedent for the whole United States, that the case had not been proven in connection with it. And I, trying to be a responsible Member of the

House of Representatives, feel very badly that that went through at that time. I definitely feel that your urban renewal program deserved looking into out in Denver.

Mr. Chairman, I would like to submit some questions to the mayor which I hope he will answer and submit for the record.

Mr. BARRETT. Will the gentleman yield to me?

Mr. WIDNALL. Yes.

Mr. BARRETT. I just want to call attention to the committee and to the mayor that, as I recall, both of the Senators from Colorado approved this and asked for consideration of it.

Mr. WIDNALL. Mr. Chairman, would you yield?

Mr. BARRETT. Yes, sir.

Mr. WIDNALL. That is correct. Both Senators approved it, there is no question about that. Representations were made as to flood losses out in Denver that were going to have to be borne by the municipality, and that they, therefore, were not going to meet their obligations with respect to the proposed urban renewal program. I think this is factual background. And I think since then the flood losses have not proven anywhere near as much as they were represented, and that we have gone into something that should have had a good hard look before it was approved by the Congress.

May I have your permission to submit questions to the mayor?

Mr. BARRETT. You may do so. I am quite sure the mayor will respond to your questions for the record.

Mr. CURRIGAN. If I am unable to, we have the chairman of the urban renewal authority that is with me this morning, and I may or may not be conversant with details, but I will try.

Mr. WIDNALL. I will submit them to you, and you may submit the answers for the record.

Mr. BARRETT. That may be done.

Without objection, so ordered.

(Mayor Currigan's reply to the questions submitted by Mr. Widnall may be found beginning on p. 1120.)

Mr. BARRETT. At this point I would like to submit a statement from Mr. Houston Gibson, member of the Denver Board of Councilmen who asked that it be put in the record.

I would also like to insert at this point a telegram stating the views of the other eight members of the Denver Board of Councilmen.

(The statement and telegram referred to follow:)

STATEMENT OF HOUSTON GIBSON, COUNCILMAN, DENVER, COLO.

Gentlemen, it is with a great sense of awe and humbleness that I appear before you today. I deeply appreciate your invitation to be heard on these important matters.

This is my first visit to Washington and never had it occured to me that I would ever stand in such a place as this, much less be afforded the privilege of addressing some of the leaders of our Nation represented by you gentlemen here today. I have come alone and at my own expense. I feel much like the little lady of the Bible who championed the cause of her people before the king. The Book of Esther, chapter 4, verse 16, "and so will I go in unto the king, which is not according to the law, and if I perish, I perish." She found favor in the eyes of the king and was granted her request. I trust I may receive your favor.

As far as I know, my appearance before you today is unprecedented in the history of Colorado or the city and county of Denver, that an elected official on the level of councilman ever felt the necessity of coming to our Nation's Capital

to defend the voting integrity of 33,878 of our citizens. I have documents to prove that this is so.

I have just received a copy of the annual report of the Downtown Denver Improvement Association. I would like to quote from page 4 of their report. May I give you a very brief outline of the events that lead to this moment: I was elected by the people of my district to serve a 4-year term on the Denver City Council beginning July 1, 1963. I hold that position today.

When exposed to the urban renewal process and the granting to appointed boards or commissions the power of eminent domain, my spirit rebelled within me. I had been taught that this was a power granted to the State (used in its broad sense) and that it was to be used, according to our Constitution, to obtain private, personal property only for public use and that with just compensation therefor. When it was that I learned that by interpretation this phrase "public use" also meant "public good," I was sickened even further. In my judgment, this is the most warped interpretation of our Constitution that I have ever heard. For government to deprive an individual of his property for sale to another is unthinkable, regardless of the end to be achieved.

Up to this time, Denver had four urban renewal projects approved; namely, Avondale, Blake, Whittier, and Jerome. I have no argument with this. They were accomplished by prior city council action and if proper methods are used, they should be completed. However, we are confronted today with further urban renewal proposals which I suggest are contrary to the wishes of the people of Denver.

In June of 1964, in order to obtain financing for several worthwhile projects in Denver, the administration, with the consent of the city council, placed before the voters of Denver 10 proposals to be financed by general obligation bonds. Of these 10 (I have the record with me) 4 failed to pass. It is important to note what these four rejected items were: (1) new city hall, $3 million; (3) new city shops, $2 million; (3) hall of justice complex, $7.8 million; and (4) urban renewal, $8 million. (The urban renewal proposal was for the controversial skyline project plus five other projects.) According to the mayor's own statement: "Voters must be given the opportunity, under law, to accept or reject each individual capital improvement." (I have the printed statement with me.) I would call to your attention that in every case the language for each of the 10 bond proposals were exactly the same and should be interpreted on the same basis.

I contend that as a result of this rejection by the voters of Denver that there should not have been any further new urban renewal projects contemplated in Denver, unless and until they be approved by the electorate. I have a short speech that I made to the Denver City Council on this subject and would like to read it and make it a part of this record.

Gentlemen, there appears before you today the mayor of our city and three members of the Denver Urban Renewal Authority. The mayor and these men he has brought with him, appointed by him, seek to continue those projects which the voters of Denver rejected plus other projects which have been added since 1964.

These gentlemen from Denver come before you armed with personal prestige and power. I stand before you as David of old, armed with a sling and one stone, the vote of the people.

Much has been said in the Congress in 1965 regarding the undesirable precedent of including public facilities, such as convention centers, in urban renewal projects. In the case of Denver, I contend that extending the boundaries of the proposed skyline project to include our convention center and other areas that are definitely not "slum or blighted" is a fraud upon the people of Denver. As you know, Denver suffered a serious flood in 1965 and it was argued that because of this, funds set aside for urban renewal would have to be used for flood relief. Gentlemen, not 1 cent has ever been appropriated by the Denver City Council for the skyline project. All, I say all of the moneys used thus far for the proposed skyline project are Federal funds with the explicit understanding that Denver would be under no obligation to approve the project.

Gentlemen, I plead with you, to grant no more funds for urban renewal projects in Denver. That in order to do so you would require that a favorable vote of the people of Denver be obtained for any and all projects contemplated, including the proposed skyline project, prior to any commitment of Federal funds.

Thank you for the privilege of appearing before you today. I have data with me and would be happy to try and answer any questions you may have.

Thank you.

[Telegram]

DENVER, COLO., *March 15, 1966.*

Representative WILLIAM A. BARRETT,
Chairman, Subcommittee on Housing,
Committee on Banking and Currency,
Washington, D.C.:

We eight members of the nine-man Denver Board of Councilmen strongly endorse the skyline urban renewal project planned for Denver and support emphatically the position of Mayor Thomas Currigan on this matter. We, therefore, urge your committee to consider favorably the financing of this project. In supporting this project we reject and repudiate the tactics and statements of Denver Councilman Houston Gibson to which you were subjected yesterday, March 14. It is our conviction that the people of Denver welcome this great step forward in the development of blight-ridden areas of downtown Denver.

Elvin Caldwell, council president; Councilman Carl DeTemple; Councilman Leo Gemma; Councilman Paul Hentzel; Councilman Irving Hook; Councilman Robert Keating; Councilman Kenneth MacIntosh; Councilman John Yelenick.

Mr. BARRETT. Mayor Bachrach, we are certainly pleased to have you, from the great State of Ohio, representing Cincinnati. We want you to feel at home here this morning.

I observe that you have an associate with you. If you would be kind enough to introduce him for the record in case one of the members may ask him a question.

STATEMENT OF HON. WALTON BACHRACH, MAYOR OF CINCINNATI, OHIO; ACCOMPANIED BY WILLIS P. GRADISON, JR., COUNCILMAN, CHAIRMAN OF THE URBAN DEVELOPMENT COMMITTEE OF CITY COUNCIL; JOHN U. ALLEN, DIRECTOR OF URBAN DEVELOPMENT; AND RICHARD G. COLEMAN, DIRECTOR OF THE BETTER HOUSING LEAGUE

Mr. BACHRACH. Thank you very much, Mr. Chairman.

I am happy to be here and appreciate the opportunity to bring my Cincinnatians with me. I don't know what your procedure is, but Mr. Gilligan was going to present our delegation.

Mr. BARRETT. I was coming to that.

Mr. BACHRACH. All right, sir, fine.

I would like at this time to present to you, Mr. Chairman, and your committee, the chairman of our urban renewal committee of our city council—our city council made up of nine members. We have each one of us the chairmanship of a particular committee. The gentleman that I have with me here is Mr. Willis P. Gradison, Jr., who has been in the council a number of years, has been chairman of our urban renewal committee, has worked weeks, days, nights, months, and years on this particular problem. And I believe that he is very able to present Cincinnati's case here this morning, sir.

This is Mr. Gradison on my left, sir.

Mr. BARRETT. Thank you, Mr. Mayor.

I am going now to ask the gentleman from Ohio, our very esteemed and greatly admired friend, Congressman Gilligan. He has proved I am quite sure, to be one of the most able first-term Members that we have had in this Congress—and I have been in it for a few years.

He has proved himself very capable. And I am quite sure he would like the opportunity of presenting you two gentlemen to this committee this morning.

Mr. BACHRACH. Thank you, sir.

STATEMENT OF HON. JOHN J. GILLIGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. GILLIGAN. Thank you, Mr. Chairman.

Distinguished members of the subcommittee, we have, Mr. Chairman, the mayor of Cincinnati, the Honorable Walter Bachrach, and Mr. Gradison, whom he has introduced. And in the supporting cast who will not make a formal statement, but will be available for questions if needed, the Honorable Theodore Berry, who is Assistant Director of the Office of Economic Opportunity, and Director of the Community Action Program under title II of that act who is the former vice mayor of the city of Cincinnati, and a former chairman of the housing and urban development committee of the council; Col. Jack Allen, the urban development director of the city of Cincinnati; and Mr. Richard Coleman, who is director of the Better Housing League of the City of Cincinnati.

As it happens, I served 11 years on the city council, and served on the urban development committee; so we have, in the presence of Mr. Berry, who is of course now a very distinguished officer in Federal service, myself, the mayor, and Mr. Gradison, four members of the city council of Cincinnati who have served in prior years on the urban development committee and are acquainted with the program in Cincinnati in cooperation with the Federal Government to build and rebuild a city which is now 177 years old.

I have no further statement to make, Mr. Chairman, other than to say that I have introduced identical legislation to H.R. 12341, H.R. 12763, which I would hope would constitute my endorsement of the concept before the committee today.

I would further say that Mr. Berry—because of his interest in community action, as well as in the urban development program in Cincinnati—has said that he would like to submit a written statement which I would present to the committee for your consideration at some later time.

Mr. BARRETT. That may be submitted for the record. Without objection, it is so ordered.

(The statement referred to follows:)

STATEMENT FROM THE CINCINNATI AREA UPON THE PROPOSED DEMONSTRATION CITIES ACT AND THE NEED FOR FLEXIBILITY IN DIRECT FEDERAL ASSISTANCE TO A LARGE METROPOLITAN AREA AS PROPOSED BY THE BETTER HOUSING LEAGUE OF GREATER CINCINNATI, INC.; THE CITIZENS' ADVISORY COMMITTEE FOR URBAN RENEWAL, AFFILIATE OF URBAN AMERICA, INC.; IN COOPERATION WITH THE CINCINNATI CITY COUNCIL, HAMILTON COUNTY COMMISSIONERS, CINCINNATI BOARD OF EDUCATION, HEALTH AND WELFARE COUNCIL OF THE CINCINNATI COMMUNITY CHEST, AND OTHER MUNICIPALITIES AND NEIGHBORHOOD ORGANIZATIONS

We have used what you have offered——

Completed are 6,999 units of public housing.

Since 1950, 26,615 substandard housing units have been eliminated in the area through urban renewal at a total cost of $142,500,000 of which local governments contributed $40,800,000 mainly in street, sewer, and other project area improvements.

In one of the largest rehabilitation projects in the country involving 2,698 structures, 832 structures have been rehabilitated.

Thirty housing inspectors have been working for 10 years to enforce a housing code and seven more are planned in three concentrated code enforcement areas.

In the last 3 years 1,016 units of 221(d)3 housing are occupied and over 26,000 single family units have been insured by FHA.

National Elementary and Secondary Education Act money of $3,312,916 has been allocated for use by the board of education for supplemental programs in 22 schools.

In a section 107 program, $117,986 has been used to demonstrate a new code enforcement concept.

In 1965, $5,119,712 was used in 34 area antipoverty programs.

and have taxed ourselves to the limit——

Over $93 million was paid in Hamilton County property tax in 1965 compared to $27 million in 1950.

Over $17.2 million was paid in a 12-year-old local 1 percent income tax in 1965 to the city of Cincinnati which has a bonded debt of over $238 million.

Over $7.9 million was collected by united appeal in 1965 for 127 agencies compared to $2.6 million for 87 agencies in 1950.

Over $65 million has been spent on new public school construction in Cincinnati alone since 1950.

Over $20 million was charged users of public utilities and facilities in 1965.

Over $10 million has been spent by area industries in the last 3 years to prevent air pollution.

Over $57 million has been spent on area hospital improvements since 1950 including a $17.2 million voter approved bond issue for Cincinnati General Hospital and a $19.8 million voter approved bond issue for other hospitals.

Taxpayers support the second largest municipal university in the country as well as an excellent art museum, symphony, natural history museum, and other cultural activities.

In a typically rural Ohio county property taxes support all local public services.

in well-planned, coordinated and cooperative programs——

The 1925 Cincinnati area master plan is regarded as not only one of the earliest area plans but one of the best.

The 1948 Metropolitan Cincinnati master plan has been carefully followed and used as a development guide.

The 3 State Ohio-Kentucky-Indiana transportation study has been approved by 9 counties and a total of 120 municipalities.

Over 130 active neighborhood organizations regularly review public needs and programs.

The community chest and united appeal is organized on a five county-two State basis.

Both Ohio and Kentucky parts of the Cincinnati area have active, well staffed regional planning commissions.

Comprehensive mental health plans are nearing completion for four counties in southwestern Ohio and seven counties in northern Kentucky.

One hospital council plans medical facilities for the five county area.

One community action commission plans Economic Opportunity Act programs for the five county area.

One water system serves 900,000 people and one sewer system serves 27 municipalities.

One publicly supported human relations commission has for over 22 years worked to improve minority group status in the entire community.

but we have many programs waiting for funds——

Of 36 urban renewal projects programed, only 12 have been started.

A general plan has been developed for a large West End area and others can quickly be completed when funds are in view.

Over 22 new school building replacements and additions are planned and needed in the Cincinnati system alone.

A data bank program has been developed and awaits funds.

A plan for neighborhood health clinics awaits funds and a plan for neighborhood centers is being developed.

A unified personnel training program for the 41 agencies involved has been developed.

A massive sewer extension plan has been developed.

A major thoroughfare and expressway plan is ready for funds and is being built at far to slow a pace.

Of $1,521,000 additional appropriations requested by Cincinnati city department heads in 1965, only $251,000 was available.

There are still some 41,000 dwelling units (11.2 percent) which are dilapidated or lack plumbing facilities in the metropolitan area of the 51,359 (15 percent) reported in the 1960 census or the 30 percent reported in 1950.

And we need a more flexible program of direct assistance—

We are served by two DHUD regions, one centered in Chicago and one in Atlanta.

We have five separate urban renewal programs as required.

We have three separate public housing authorities.

FHA applications are filed here for Dayton, but in Louisville for the Kentucky portion of the urban area.

VA applications must be sent to either Cleveland or Louisville.

Section 701 planning funds come through the State for some area municipalities but from DHUD in Chicago or Atlanta for others.

The metropolitan area is served from two Office of Economic Opportunity regional offices.

Separate agencies and organizations have been established to be eligible for some types of Federal funds, others must come through the State, County, or individual municipalities.

As proposed in the Demonstration City Act.

Yes, we have used what you have offered and have taxed ourselves to the limit in well planned, coordinated and cooperative programs, but we have many programs waiting for funds and need a more flexible program of direct assistance as proposed in the Demonstration City Act.

The many and varying Federal aid and grant programs in operation in the Cincinnati metropolitan area are confusing even to the experienced civic leaders, while the average citizen is confused by the many things that can or cannot be done and the timelag involved in getting the most needed programs started.

Complex urban problems facing cities willing to help themselves as demonstated can only be resolved through massive financial assistance. We need financial assistance on a direct basis without unnecessarily involved restrictions, procedures and time delays and on a local priority basis. We have enough personnel now experienced in these programs to greatly expand them.

If the Demonstration City Act passes as presented, you will hear from Cincinnati in regard to expansion of areawide planning programs and funding many projects in our basin area.

Mr. GILLIGAN. Mr. Chairman, if it please the committee, Mr. Gradison, as chairman of the urban development committee of the council, will present the statement on behalf of the city.

Mr. BARRETT. Mr. Gradison, we will certainly be glad to have you submit the statement. If you desire to complete the statement, and then we should like to ask you some questions—or if you choose to proceed any other way, you may do so, and we will be glad to go along with you.

Mr. GRADISON. Mr. Chairman and members of the committee, I appear before you this morning representing the city of Cincinnati with respect to the proposed Demonstration Cities Act of 1966. As chairman of the urban development committee of our city council, I am the elected official charged by the council with the principal responsibility for leadership in urban development in its broadest sense, including housing and urban renewal. Before turning to the specific legislation before the committee it may be appropriate to note that for 5 years I served at the policy level in the Treasury, and Health, Education and Welfare Departments, and therefore have had an opportunity to ob-

serve the development and administration of Federal grant programs from the point of view of both levels of Government.

The demonstration cities bill would meet a need which we have become very much aware of in recent months, especially as we have considered ways and means to complete the renewal of our city's west end, a large area of mixed residential and industrial uses, with a high incidence of poverty and substandard housing. Working in cooperation with an articulate and effective neighborhood council we have undertaken the search for a coordinated means of bringing to bear the tools of rehabilitation, clearance, highway beautification, public housing, code enforcement, education, community action, and other public and private programs. This is exceedingly hard—almost impossible, in fact—to accomplish under present Federal legislation. For example, availability of urban renewal assistance in an area gives no assurance whatever of help or cooperation from FHA or Public Housing, or Community Facilities, and so on.

Unfortunately, in the past, piecemeal attack has yielded piecemeal results. We are here to support the principles of this legislation because it recognizes that new approaches are needed and that these require a degree of program coordination at the Federal and local levels not attained to date.

Nonetheless, there are basic problems with the legislation as presently drafted which suggest that it may need modification if it is to accomplish its intended purposes. First, I would raise the basic policy issue whether the proposed demonstrations are needed to validate the coordinated and massive approach recommended in the bill. Our experience in Cincinnati—a city which has been very aggressive in using the tools made available under present legislation—suggests that we already know what is needed, and can move promptly with Federal assistance to put this knowledge and experience to work.

This would be impossible under the proposed bill, which is limited to a small number of cities. In my judgment, there are many more cities which meet the tests for qualification than can possibly be funded as the legislation is now drafted. For this reason the legislation is inherently discriminatory, since it would provide funding for some qualified cities, and not for others. So far as I know this is the first piece of basic legislation of such magnitude in the housing field which would limit the number of qualified cities which can participate. This is a dangerous precedent which deserves careful study.

It seems clear that those cities which are chosen as demonstration cities would necessarily draw capital grant funds away from those not chosen. This seems inevitable in light of the large backlog of grant applications and the limited funds available, not only for urban renewal, but also for public housing and many other associated projects. If the demonstration cities had to wait their turn for funding under all of the programs involved, it would be impossible to dovetail the many actions needed to make the demonstrations a success.

Therefore, the demonstration cities would have to have high priority in order to accomplish the demonstration cities program, and all other cities would suffer in the process.

Along the same lines it seems contradictory to choose the demonstration cities and then fund their planning activities with respect to the

demonstration projects. If the Congress does decide to limit the number of cities—and I hope it will not—then it certainly seems reasonable to make planning grants to all cities which appear to have the capability of developing a demonstration program, and then later choosing the "winners" after the planning reaches a proper degree of detail. The approach in the bill would put the cart before the horse.

I suppose that most cities of proven competence in urban renewal assume, as does Cincinnati, that they will qualify as a demonstration city. Further, I suppose that such cities, like Cincinnati, are already taking steps to become demonstration cities. I fear that this legislation as drafted will raise false hopes, not just among cities and their official spokesmen, but also among many of our citizens who are living in abject poverty and see this legislation as a bright hope for improvement of their neighborhoods.

If you limit this legislation to selected cities untold millions of people in other cities will have every reason to feel rejected and passed over. It would be far preferable to see the principles of this bill written into existing urban renewal and housing statutes, making it possible for all cities with well-developed plans to qualify, and similarly imposing as a condition for future Federal grants and hard-hitting, concentrated, coordinated, and flexible attack suggested here only for selected neighborhoods in selected cities. Such an approach would be far more important in my opinion than the extra percentage grants contained in the bill. I believe that the demonstration cities bill as drafted would only delay the Federal, State, and local actions needed to improve housing conditions in all of our cities.

Thank you, Mr. Chairman.

We would, of course, be happy to answer any questions.

Mr. BARRETT. Thank you, Mr. Mayor and Mr. Gradison, for a very fine statement. Certainly we appreciate hearing about your progress and problems of Cincinnati.

Mr. Mayor—Mr. Gradison may want to answer this, but I am going to direct the question at you.

On page 4 you tell of the many agencies and programs you have to deal with.

It looks to me as if you favor a coordinator right now; whether or not the demonstration city program may become law. Would that be a correct statement?

Mr. GRADISON. Mr. Chairman, if I may—we would envision the coordinator, if he serves his best function, as serving as a source of two things—information at the local level, and coordination at the Federal level. We view it as our job at the local level to provide the necessary degree of coordination among our own programs, and in the city of Cincinnati, unlike many cities, we do not have a separate redevelopment authority. The functions of urban renewal are carried out directly under the supervision of our council as a function of city government, and we have had a number of successful—several successful bond issues passed to support this program without any defeats along the line.

Mr. BARRETT. Thank you, sir.

Mr. Widnall?

Mr. WIDNALL. Thank you, Mr. Chairman.

I would like to congratulate you on the statement you have made

before the committee. It seems to me of all the statements we have had, this goes to the heart of the matter.

You have told us some of the problems that arise out of the proposed legislation—the fact that as you say it is inherently discriminatory because of the few towns that would get the benefit out of it.

I notice in the report that you have, the blue pages, which are most interesting—I have not seen any other city submitting anything like this before—you mention 26,615 substandard housing units have been eliminated, in the area since 1950 through urban renewal at a total cost of $142.5 million, to which local government contributed $40,800,000 mainly in street, sewer, and other project area improvements.

Now, how many of those contributions given credit to Cincinnati were actually in existence at the time the urban renewal project started?

Mr. BACHRACH. These would be the noncash grants-in-aid.

Mr. WIDNALL. How much of your $140 million was noncash?

Mr. GRADISON. Mr. Chairman, in order to answer this specifically, I think we will have to get additional figures, which we will do. I would like to answer it in part in this way: We have had urban renewal bond issues, two of them, one in 1956, and one in 1962 approved by the voters. These are put on the tax levy.

In addition, the council has power, under its own charter and State laws, to issue bonds for public improvements, and has done so, in addition to voted authority to provide funds for urban development purposes.

Over and above this, we have had additional bond issues approved, particularly for streets, sewers, and schools, which have provided the noncash credits which you mentioned.

Mr. WIDNALL. Well, would you submit for the record something that is more accurate than you can remember at this time—a breakdown of your noncash contributions toward these various urban renewal projects?

Mr. BARRETT. That may be done. Without objection, it is so ordered.

(The information referred to follows:)

OHIO R-6 AVONDALE I—CORRYVILLE PROJECT

Rehabilitation and new construction as of Mar. 11, 1966

	Number of buildings	Cost
Rehabilitation:		
Completed	848	$2,105,736
Started	818	1,039,689
New construction:		
Private, completed	39	14,162,500
Public and semipublic, completed	10	14,554,300
Private, started	8	4,100,871
Public and semipublic, started	10	20,961,968

Budget

Original approved budget.—

Project expenditures (Federal cost)	$9,721,967
Noncash local grants-in-aid (includes sec. 112)	8,818,370
Total gross project cost	18,540,337

Site improvements included in project expenditures budget include streets, sewers, water mains, street lighting, parks, play areas, etc. Cost: $2,238,740.

Noncash local grants-in-aid improvements include street, fire house, addition to school, offstreet parking, recreation deck, water main, street lights, and others. Cost: $6,223,980.

Revised budget.—Submitted to regional office and pending approval.

Project expenditures	$21,013,960
Noncash local grants-in-aid	16,278,583

Mr. WIDNALL. I notice that 832 structures have been rehabilitated in one of the largest rehabilitation projects in the country, involving 2,698 structures.

Do you believe that this is a more sound approach than the bulldozer method that has been used in many cities?

Mr. GRADISON. We firmly believe that the rehabilitation approach is far preferable to the clearance approach if it will work. In our view, this project, and many others like it around the country, have to be viewed as experimental in the sense that we do not have as much experience with the real results that might come about from them, and, furthermore, it has only been in the last year or two that we have had additional tools in the way of direct grants to low-income families in such areas which may provide the financial wherewithal for complying with the provisions of our code and our higher rehabilitation standards which we have set up in this area.

This particular area has about 600 acres, and it is a very important one to us, since it directly adjoins our great University of Cincinnati, and is similar in some respects to projects such as the very important Temple project in Philadelphia, which is somewhat similar in its intent.

Mr. WIDNALL. Within those areas, what do you find the reaction of the people who have been living there to be? Are they for rehabilitation, modernization, or would they prefer mass relocation?

Mr. ALLEN. Mr. Chairman—it is a mixed reaction you get from the residents of the area. Many of the buildings, of course, in a rehabilitation area are not usable for rehabilitation, and must be cleared in order to remove these blighted ones which are beyond the possibility of rehabilitation.

It was very slow catching on, the rehabilitation idea. But with the added city improvements, the road and street improvements, the curbs and gutters, shopping centers which are being built on urban development land, it is sort of serving as a catalyst for those who were slow in getting the message. The tools in the 1965 Housing Act were in those under the $3,000 income category, were provided a straight $1,500 grant for the rehabilitation—also improved this thing. And I think over the years as we experiment with this, we are not only experimenting with legislative tools, but we are experimenting with methods in how to reach the people, and convince them this is a proper thing, a proper attitude for a neighborhood to try to settle their people on.

Adjacent to this area is the university. So the people are beginning to develop an identification with an institution. By the same token, or at the same time the institution is developing a relationship or a feeling for the area that is right next to them.

So to answer your question, again, it is a mixed emotion on the part of the people as to whether they prefer rehabilitation or clearance.

But with constant selling, constant urging, constant meeting with them, I think the project is moving better than it was 2 or 3 years ago.

Mr. WIDNALL. Do any of you have any recommendations to make as to additional legislative tools that might be helpful to you in the administration of the city and the rehabilitation of the city, or amendments to existing legislation? Have you any recommendations along that line?

Mr. ALLEN. I have none specifically, Mr. Widnall. I don't think we really have had an opportunity to test those in the 1965 act. Certainly the code enforcement portion of the 1965 act is a big boon to helping us.

Mr. WIDNALL. I notice you emphasize in Cincinnati you are about to add on more inspectors. That is a hopeful approach to the whole idea. If all of the cities do this, we can start to make real progress.

Mr. GRADISON. On that point—I would like to mention it does take a good bit of time for both the cities and the Federal agency working together to meet the tests of new legislation which you enact. In the case of the concentrated code enforcement program, we have submitted an application. And the last I knew the forms were still not available, the formal application forms for qualifying under this act, which was passed in 1965.

Mr. WIDNALL. You say the formal application forms are not available at the present time?

Mr. ALLEN. As of last week.

Mr. WIDNALL. That is all.

Thank you very much for an excellent statement.

Mr. BARRETT. Mrs. Sullivan?

Mrs. SULLIVAN. Mr. Chairman, I would like to pursue what Mr. Widnall was asking.

On these 832 structures that you say have been rehabilitated, are these completely rehabilitated now?

Mr. ALLEN. Yes, madam, these are those that are completed.

Mrs. SULLIVAN. How much Federal money went into that rehabilitation?

Mr. ALLEN. I would have to provide that for the record. It is on the order of $9 to $10 million.

Mrs. SULLIVAN. I wish you would provide that—if it is all right with you, Mr. Chairman.

Mr. BARRETT. It may be submitted.

Mrs. SULLIVAN. I would like to know what the total cost of the rehabilitation was and how much came from Federal funds.

(The information referred to follows:)

CITY OF CINCINNATI, DEPARTMENT OF URBAN DEVELOPMENT

Total projects costs

Laurel-Richmond (Jan. 3 to Feb. 3):	
Capital grant	$4,274,877
Relocation grant	0
Total, Federal grant	4,274,877
City	2,282,320
City's excess credit	289,763
Total, city cost	2,572,083

Total projects costs—Continued

Queensgate I (Jan. 3 to Feb. 3):	
Capital grant	$15,512,400
Relocation grant	1,171,760
Total, Federal grant	16,684,160
City's eligible item II cost	9,434,050
City's ineligible item II cost	2,956,267
Total, city cost	12,390,317
Avondale-Corryville (Jan. 3 to Feb. 3):	
Capital grant	9,069,822
Relocation grant	394,900
Total, Federal grant	9,464,722
City's eligible item II cost	8,818,370
Cities ineligible item II cost	139,515
Total, city cost	8,957,885
Core area (Jan. 4 to Mar. 4):	
Capital grant	30,399,673
Relocation grant	1,621,022
Total, Federal grant	32,020,695
City's eligible item II cost	14,521,605
City's ineligible item II cost	2,243,151
City's administrative cost	1,221,952
Total, city cost	17,986,708
Riverfront (Jan. 4 to Mar. 4):	
Capital grant	13,533,597
Relocation grant	600,000
Total, Federal grant	4,939,257
City's eligible item II cost	4,939,257
City's ineligible item II cost	513,804
City's administrative cost	1,485,726
Total, city cost	6,938,787
Queensgate III (Jan. 4 to Mar. 4):	
Capital grant	2,066,978
Relocation grant	694,373
Total, Federal grant	2,761,351
City's eligible item II cost	688,993
City's ineligible item II cost	114,956
City's administrative cost	427,000
Total, city cost	1,230,949
Total, Federal grants (61.3 percent)	79,339,402
Total, city contribution (38.7 percent)	50,076,729
Grand total	129,416,131

Mrs. SULLIVAN. Under what Federal program was that money obtained, do you know?

Mr. ALLEN. This was under the rehabilitation—I cannot give you the exact title or code—but it is under the rehabilitation portion of urban renewal legislation, whereby you are permitted or required to assist the people who want to rehabilitate and are financially unable to with architectural services—in other words, you go in and assist them, provide them with a plan for proceeding with the rehabilitation of their property, you assist them in how to go about getting loans, you asist them in refinancing some of their own personal activities, their own personal loans. And, here again, these services are provided as a part of the project cost.

These buildings are brought up to and above code standards in Cincinnati.

Mrs. SULLIVAN. What is the rate of interest these people are charged for the loans they need for rehabilitation?

Mr. ALLEN. I believe it is 3½. But there, again, I would have to provide this for the record.

Mrs. SULLIVAN. It is the Government's below-market-interest-rate program?

Mr. ALLEN. Yes. And, of course, there is in the 1965 act the 3-percent direct loan, too, and we have also made some applications for that.

Mrs. SULLIVAN. Are there any structures in the program which are rehabilitated and then rented?

Mr. ALLEN. No. These are owner occupied.

Mrs. SULLIVAN. Thank you. That is all, Mr. Chairman.

Mr. WIDNALL. Mr. Mayor, or Mr. Gradison, have you taken advantage of the rent certificate plan?

Mr. ALLEN. No.

Mr. WIDNALL. Have you received any material on it?

Mr. COLEMAN. Mr. Chairman, the rent certificate plan has not yet been utilized in the State of Ohio. I presume you are asking about rent certificate as opposed to rent supplement.

Mr. WIDNALL. That is right.

Mr. COLEMAN. The rent certificate plan has not been utilized in the State of Ohio to my knowledge. We in the housing league have done some study of it. We have not yet recommended its use in the area.

Mr. WIDNALL. I think if you go into it, you will find it will be a considerable aid in helping with low-income families.

Mr. COLEMAN. As with all new programs, Mr. Congressman, there are questions about legality that have to be resolved on a State level, State constitutional conflicts. And for some time there has been study in this area that is not yet clarified.

Mr. WIDNALL. If you have any material on the question of legality raised in Ohio, would you send it to me?

Mr. COLEMAN. Yes, sir; I would be glad to.

Mr. BARRETT. Mrs. Dwyer?

Mrs. DWYER. Thank you, Mr. Chairman.

Mr. Mayor, we are aware of your problems, and we want to help you with them.

Specifically, how much does your city need in Federal funds to carry out a demonstration city program? Have you got any approximate figure on how much you would need?

Mr. BACHRACH. Mrs. Dwyer, I think the funds we are thinking of now would be in the nature of planning funds.

Mrs. DWYER. Planning grants?

Mr. BACHRACH. Planning grants, to plant the ultimate program that we would want to get into.

Mrs. DWYER. But not the figures as to how much it would cost for the whole project?

Mr. GRADISON. There is no way that we can tell without going much further in the planning. Under the act as drafted, it is very indefinite as to how large a neighborhood would qualify, and the extent to which it would be balanced between rehabilitation and clearance would depend, of course, on the neighborhood and on the administration of the act if passed. So that I don't think it would be—we at least could not give you any realistic figure without going a great deal further in our own work.

I might say in that connection, however, that within our own community, which is an old community, we have neighborhoods in which we feel that the rehabilitation and code enforcement technique will be successful, can be successful, and we have other neighborhoods, some of them quite large, and very old, in which the condition of housing is so poor that all competent people who have looked at it have felt that only clearance could be used in those particular neighborhoods in order to improve the neighborhood as a place to live.

Mrs. DWYER. I ask you that question because we had testimony from the mayor of the city of Newark that if we were to hold it to 70 cities, it would cost in the neighborhood of $10 billion—and because he estimated that figure, and Mayor Cavanagh agreed with it, I would like to ask you this question, Mr. Mayor:

We are in the process of voting $13 billion for the war in Vietnam. The war, as you know, would seem to be going on for some time. In view of this, do you think we should limit the number of cities to something less than the 70 cities which we hear so much about? Should we limit it to, say, 3 to 5 demonstration cities at this time, and not embark on perhaps a $10 billion program for 70 cities?

Mr. BACHRACH. Well, Madam Congressman, I can answer this, the first part, very easily, by saying that whatever the demands or requests to follow through with the situation in Vietnam I think would take first place.

I think as far as cutting the number of cities, I think through Mr. Gradison's statement for Cincinnati, that we do not believe in limiting the cities.

I personally, through my years on the city council, and I am sure the members that have served with me feel that although we have plans for the future, I think most cities have enough projects going right now to keep them busy, and this is not in answer to your question on the Vietnam situation. But if there is any plans for the future—if there is some legislation passed for further action by the cities, it would seem to me that all of the cities should be looked at and given an equal opportunity.

Does this answer your question?

Mrs. DWYER. Yes, thank you very much, Mr. Mayor.

Mr. BARRETT. Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Gradison, as I understand your testimony, you would be in favor of eliminating this 80-percent additional grant which would be given to a demonstration city.

Now, my question to you, sir, is if we cannot go as far as you would suggest, would you favor an amendment which would reduce the amount of that 80-percent grant, let's say, down to 50 percent or some other figure, possibly with a sliding scale based on the need of a particular city?

Mr. GRADISON. Mr. Moorhead, the burden of my testimony is that I think that the concept of coordination, Federal and local, add flexibility, in the sense of getting credits perhaps for improvements, whether they are physically in the project or not, is more important, or at least would be to us, than this additional percentage—the three-quarter, one-quarter percentage right now is a very attractive offer to a community in my opinion.

I would suggest a concept along this line. There are seven requirements for a workable program for community improvement which we must meet each year in order to be recertified. Perhaps this idea, the basic germ of the idea inherent in this bill, could be the eighth requirement, something which we and all other cities would have to meet for any future urban renewal grant. And I think by approaching it in that way, it could be helpful in encouraging the desirable degree of coordination at the local level, not only in the programs of physical rebuilding, but also in the way of social action programs that would be necessary as well.

I would go a step further, however, and suggest that such action in itself is not going to be very meaningful unless there is a great deal more coordination at the Federal level than now exists in terms of bringing to bear the many resources which are available from this wide variety of recently enacted legislation in a coordinated way in an individual neighborhood. This is exceeding hard to do, because these funds not only come from different parts of the Housing and Urban Development Department, but also from many other departments as well.

This is the reason that, in talking of the Coordinator, I feel that the coordination function must be really stressed at the Federal level in order to provide the best results and the largest impact at the local level.

Mr. MOORHEAD. I agree with you on the point of coordination, and we have proposed amendments to direct the Secretary of HUD to coordinate at the Washington level, and we also proposed amendments that would establish metropolitan liaison officers at the local level.

But my question to you, apparently, didn't get through to you, and that is I understand that you would eliminate the 80 percent, and rely on coordination, or in effect rely only on the stick and not on the carrot.

Now, if we cannot go as far as you would like in eliminating it, would you then favor an amendment which would reduce the amount of the inducement, the 80 percent, so the money can be spread further?

Mr. GRADISON. Recognizing that that would be a second choice, I think that the reduction of the percentage would make very good sense, sir.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. BARRETT. Would the gentleman yield to me?

Mr. MOORHEAD. Of course.

Mr. BARRETT. Mr. Mayor, I am quite sure the testimony you submitted here this morning is acceptable in every detail. It indicates that you want to rehabilitate your great city. But I don't think injecting the Vietnam situation in such an important piece of legislation as we are now having testimony on would be beneficial to the cities that need help so badly.

Some of these areas, some of these cities have very troublesome situations. While we are certainly aiming to do everything we can to bring a quick conclusion to the Vietnam situation, we have to, by the same token, work in a coordinated way to help eliminate these deplorable situations in these various cities. And I am hopeful that we don't inject Vietnam in such a humane piece of legislation that we are trying to work out here.

Mr. St Germain?

Mr. ST GERMAIN. Did I understand you to say that you felt that rehabilitation—this was in your oral statement—that rehabilitation was preferable to renewal?

Mr. GRADISON. Not at all, sir. What we were saying was that both techniques are needed, and some make more sense in one area, and others make more sense in another.

Mr. ST GERMAIN. How old is Cincinnati?

Mr. GRADISON. The city was first settled in 1788, and incorporated in 1805.

Mr. ST GERMAIN. You are one of the younger cities, then.

I think I understood you to say that when your active planning reaches a proper degree of detail, then a choice should be made as to which cities should be demonstration cities—is that correct?

Mr. GRADISON. Yes, sir, the point is this: I cannot understand how the demonstration cities could intelligently be chosen until the planning process in these cities reaches a certain point, so that you have something to examine on an objective basis to see what kind of a job they can do.

Mr. ST GERMAIN. Right. Evidently you have not had the benefit of some of the information that has been elicited at the hearings previously. To probably help a little with your comprehension of this, the thought is that plans would be submitted and applications, and these would be general plans—not detailed plans—in accordance with the eight guidelines provided for in the proposed legislation, and that these cities would be chosen—actually I think more or less on the basis of need. And I feel that one of the factors that should be and has to be recognized also is this particular city that will be chosen should be a typical city, so that if we cure the ills in this city we will then have a pilot or a demonstration project or an example for other cities to follow.

As to your suggestion that the planning have a certain degree of detail—on the one hand I think I understand you express a fear of the fact that the funds that will be channeled into these demonstration cities would take away from funds going to other projects in cities that are not demonstration cities. Well, if that's the case, then why spend all kinds of funds for planning in detail in these many cities without any guarantee or hope—let's not say hope—but without any guarantee that these plans can ever be put into action.

You know, plans are great, but unless you can implement them, they are just sitting in your desk in your office.

Would you comment on that?

Mr. GRADISON. Certainly. We are planning all the time, in order to find ways to improve our community. We had our first master plan back in the 1920's. It was completely revised in 1948 and has been kept up to date section by section since that time.

The point is that a plan which might be developed for this purpose as a basis for making a choice among cities would by no means be wasted, because a high proportion of the things that are being talked about in this bill could be done under existing legislation, and such a plan—I would say 95 percent of such a plan could be used as a basis for application for grants under existing legislation in the urban development and housing field.

Mr. ST GERMAIN. How large a city is Cincinnati, Ohio?

Mr. GRADISON. The population of the city itself, sir, is half a million. The population of the metropolitan area is approximately 1.2 million.

Mr. BARRETT. Mr. Harvey?

Mr. HARVEY. Thank you very much, Mr. Chairman.

Mr. Mayor, nothing has been said here with regard to the new towns proposal contained in this legislation. I refer essentially to title 2, the land development and new communities. I was wondering whether you or your staff has considered this and whether you feel that the development of new towns just outside the perimiter of major urban areas in your judgment would be helpful in solving your problems, or would they be harmful? Do you have any comment?

Mr. GRADISON. Mr. Harvey, we are here to testify primarily on the other bill. I would like to say in terms of the philosophy of the new-towns proposal—in my opinion it is anticity. I think that inherently it involves a process of drawing away strength and attention from building the communities which already exist, and trying to deal with the problems which they have.

Furthermore, if some of the new towns being started around the country now, without this legislation, and some which were started back in the 1930's are any indication, these communities serve primarily the needs of families whose income levels are sufficiently high but I do not believe that they deserve, shall I say, the attention in terms of priority that we are referring to here when we talk about rockbottom, decent, safe, and sanitary housing for the poverty-stricken masses of our cities.

Mr. HARVEY. You view it at any rate as being inconsistent with the efforts being made to revitalize the towns that we have, I take it.

Mr. GRADISON. Yes, sir.

Mr. HARVEY. I gather also from your statement, Mr. Gradison, that you share the concern that has been expressed here by other persons that insofar as this legislation is concerned, that it may very well divert some of the money going into urban renewal today away from those sources and into this particular program instead. Do you share that concern?

Mr. GRADISON. Yes, sir. Let me explain, as an example, how that might work. And perhaps the best example would be the community facilities legislation which provides funds, let's say, for recreation and health centers.

There is a huge, long waiting list. Unless the demonstration cities are given priority in the obtaining of the Federal matching funds under existing programs such as that, the demonstration is going to bog down to the point that the last of these major programs that they are on the waiting list for can be funded.

Therefore, as a practical matter of administration—and I have read Mr. Weaver's testimony on this, and I still feel this way—as a practical matter, I think the demonstration cities would have to have priority, so that the necessary resources which may involve interstate highways, highway beautification, recreation facilities, as well as urban renewal and housing and schools and other things—so that they can be brought together in one point of time as well as one geographical point.

Mr. HARVEY. Thank you very much. Your testimony is very clear and we appreciate receiving it.

Thank you, Mr. Chairman.

Mr. BARRETT. Thank you, Mr. Harvey.

Does the gentleman from Rhode Island desire to ask other questions?

Mr. ST GERMAIN. I think when you mentioned the section 107 program—I had a little problem trying to determine section 107 of which act.

Mr. COLEMAN. I think——

Mr. ST GERMAIN. Or is this a typographical error?

Mr. COLEMAN. No—we got the money under this section. This is this low-income housing demonstration program. I think it was funded in 1961.

Mr. ST GERMAIN. It was under the 1961 act?

Mr. COLEMAN. Housing Act—I think so; yes, sir. Low-income housing demonstration program.

Mr. ST GERMAIN. And this was just a demonstration project?

Mr. COLEMAN. That's correct.

Mr. ST GERMAIN. And Cincinnati, Ohio, was one of the fortunate cities to come under it?

Mr. COLEMAN. The Better Housing League served as the contractor, the city was the applicant in this instance. That program has been underway about 2 years and is near conclusion.

Mr. ST GERMAIN. Mr. Gradison brought out the fact that if the Demonstration Cities Act as proposed—if it were to be adopted, there would be many unhappy cities. I submit we are trying to determine whether or not legislation can be effective. This is oftentimes going to happen. Just as this $117,000 was granted to Cincinnati in this particular instance, section 107 of the 1961 act, we could not give that demonstration money to all cities, but your experience certainly has been invaluable to us.

Mr. GRADISON. If I may sir. The big question here is whether you need a demonstration to show that these coordinating activities massive programs will do the job. The burden of my testimony is that unlike the low-income housing demonstration which was getting into a field which had not been adequately studied, that this is something which we are dealing with every day in our urban renewal work. I sincerely suggest that there is a question of whether it is necessary to sponsor demonstrations in order to show that these techniques in the bill will work. I submit that we know that already.

Mr. BARRETT. The gentleman's time has expired.

Do you want to ask another question?

Mr. ST GERMAIN. I was wondering—you say that you have five urban renewal projects that you have undertaken or completed?

Mr. BACHRACH. In the process on some of them, sir.

Mr. ST GERMAIN. Have you completed any?

Mr. BACHRACH. Yes, sir; we have.

Mr. ST GERMAIN. What is your time lag between date of taking title to the property and getting it back on the tax rolls?

Mr. GRADISON. Sir, if you start from the time that the land is actually acquired until the time that is is completed, we have very good results in terms of getting developers and completing the processing. We have in our Laurel-Richmond project, which is a clearance project which provided new housing, the first completed urban renewal project in the entire State of Ohio. And the period of time there was relatively short, a few years, to completion.

Mr. ST GERMAIN. You mean two, three?

Mr. GRADISON. Yes, sir.

Mr. ST GERMAIN. Because, as you know, the average is six or seven.

Mr. GRADISON. I think that in order to see the total span, it is necessary to think of it in terms of the planning, financing, necessary dealing with the Federal agencies, the processing of acquisition, the purchase of the property through the courts, the relocation of the families, and the taking down of the biuldings. That's really the period that takes a great deal of time.

Mr. ST GERMAIN. From the time you take title, and the time you are actually dislocating people—from the time you take title, until the time that it has been developed you say is about 3 years?

Mr. GRADISON. Yes.

Mr. ST GERMAIN. Thank you.

Mr. BARRETT. The time of the gentleman has expired. All time has expired.

Mr. Mayor, we certainly appreciate you and your associates coming and giving us this fine testimony this morning.

Mr. BACHRACH. Thank you, Mr. Chairman, and to the members of your committee, we appreciate the honor of appearing before you. We hope we have brought you some testimony that will be helpful.

Mr. BARRETT. You have been very helpful. We appreciate it.

(The following resolution was submitted for the record:)

A RESOLUTION

That Council of the City of Cincinnati endorses the principles of the Demonstration Cities Act of 1966.

Whereas Council of the City of Cincinnati realizes there is an urgent need to improve the housing in Cincinnati; and

Whereas the city of Cincinnati has already moved aggressively to improve the supply of housing in our community; and

Whereas there remain additional needs in housing which require the joint efforts of government at all levels; and

Whereas the Congress of the United States now has before it the Demonstration Cities Act of 1966; and

Whereas the mayor of the city of Cincinnati and other representatives of the city will appear before the Housing Subcommittee of the Committee on Banking and Currency of the House of Representatives in support of this legislation on Monday, March 14, 1966: Now, therefore, be it

Resolved by the Council of the City of Cincinnati, State of Ohio, That council hereby endorses the principles of the proposed Demonstration Cities Act of 1966 now before the Congress of the United States.

Passed March 9, 1966.

WALTON BACHRACH, *Mayor.*
Attest: DALE SCHMIDT, *Clerk.*

COUNCIL OF THE CITY OF CINCINNATI, STATE OF OHIO, OFFICE OF THE CLERK OF COUNCIL

I hereby certify that the foregoing transcript is correctly copied from the books, papers, and journals of the city of Cincinnati, State of Ohio, kept under authority and by the direction of the council thereof.

A resolution passed March 9, 1966, that Council of the City of Cincinnati endorses the principals of the Demonstration Cities Act of 1966.

In testimony whereof I have hereunto set my name and affixed the seal of the clerk of council's office this tenth day of March in the year Nineteen Hundred and sixty-six.

DALE SCHMIDT,
Clerk of Council.

Mr. BARRETT. Our next witness will be the Honorable George B. Kinsella, mayor of Hartford, Conn.

Mayor Kinsella, we certainly want you to feel like one of the members of this big family.

I observe you have an associate with you this morning. I was wondering if you would be kind enough to introduce him for the record.

Mr. KINSELLA. Mr. Chairman, members of the committee, this is Mr. Robert Bliss. He is the director of redevelopment from the city of Hartford and has held this position for the past 10 years.

Mr. BARRETT. Thank you.

Mr. Mayor, if you desire to complete your statement before any questions are asked, you may do so. Certainly we will abide by whatever you choose to do.

Before starting, Mr. Mayor, one of my very close colleagues is here to introduce you and your associates this morning.

This gentleman has certainly attracted the attention of the members of the House from all parts of the United States. He does a very effective job. I think he has been a great help too.

I would like him to introduce his mayor.

Mr. Daddario.

STATEMENT OF HON. EMILIO Q. DADDARIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. DADDARIO. Chairman Barrett, I am most appreciative for you and your committee having given Mayor Kinsella this opportunity to appear before you, so that you might get an expression of his opinion on the Demonstration Cities Act of 1966 which the committee is now reviewing.

He has with him Mr. Robert Bliss, who is an expert in this field and who is where to participate with Mayor Kinsella.

I would like to add it is with considerable pride, too, that I come here this morning because Mayor Kinsella is the mayor of my home city. He comes from a family which has expressed itself forcefully over three generations of time in civic activities. He is the third mem-

ber of his family who has been a mayor of Hartford. His grandfather, his brother Jimmy, who is now judge of probate, and now Pete, as we call him, is the mayor of the city. This is something that we in Hartford are pleased to see, because it demonstrates the activity of a fine family in civic affairs to the benefit of the great city of Hartford.

I am pleased that Mayor Kinsella is here before you this morning, Mr. Chairman.

Mr. HARVEY. Will the gentleman from Connecticut yield to me for a moment.

Mr. Chairman, I would just like to also express a welcome here to Mr. Kinsella's assistant, Bob Bliss, and to disclose to the committee here that about 15 years ago I had the opportunity to work with Mr. Bliss when he was then a part of the city administration in Saginaw, Mich. Mr. Bliss was in charge of our planning and housing in that city. I was then in the city attorney's office. We worked closely together with municipal problems.

It was Saginaw's loss and Hartford's gain when he left our city and went to Hartford.

I believe this is the first time I have seen him in those 15 years, and I would like to issue him greetings, and say we are happy to have you with us, and to you, Mr. Mayor.

Thank you.

Mr. BARRETT. Mr. Mayor, you may now start your testimony in whatever way you desire.

STATEMENT OF HON. GEORGE B. KINSELLA, MAYOR OF HARTFORD, CONN.; ACCOMPANIED BY ROBERT BLISS, DIRECTOR OF REDEVELOPMENT, HARTFORD, CONN.

Mr. KINSELLA. Mr. Chairman—I would like to second the remarks of Congressman Harvey. It certainly was Hartford's gain when we acquired Mr. Bliss for our redevelopment program.

Mr. Chairman and members of the committee, I am Mayor George B. Kinsella of Hartford, Conn. On behalf of Hartford I wish to extend my deep appreciation for the opportunity to appear before your committee to present this testimony in support of the Demonstration Cities Act of 1966 which is before you.

Our city has been carefully analyzing its provisions since its introduction to the Congress. I have informally discussed the act with Secretary Weaver who was recently in Hartford for a Connecticut community conference. At this conference, Dr. Weaver was the keynote speaker at this, his first major address as Secretary of the Department of Housing and Urban Development. His principal theme was the Demonstration Cities Act and he issued a vigorous challenge to the assembled cities to produce a plan with an impact on the problems of housing, education, employment, and social services.

We in Hartford have been asking ourselves what is meant by "demonstration"? What should we demonstrate? Webster's dictionary defines demonstration as "an outward expression or display." We applied this basic definition to our city and the answer to the question became clear. It is to show all of our people, particularly those in blighted and tired neighborhoods who are confined not unlike captive

citizens, that there is hope for them. We believe that not only can we demonstrate that there is a future for these citizens but also that our example can assist the Federal Government in providing a formula for national success of this demonstration program. We realize, however, that in order to be a success a demonstration program has to be founded on accomplishments and realistic program proposals. Hartford's foundation in terms of what we have already done is:

1. Completion of a community renewal program in the summer of 1965 and its recent approval by the Department of Housing and Urban Development.

2. A full revision of the zoning ordinances and an updated comprehensive plan for the city nearing completion.

3. A detailed study of our overall school building needs—prepared by a group of consultants—which has been completed and which has served as the basis for a recommended citywide building program by the board of education and its administration.

4. Organization of a community renewal team in accordance with the Economic Opportunities Act of 1964 and activation of the following specific programs:

(*a*) Education: Child development, school and community work study, special services in elementary schools, special services in high schools, adult counseling centers, reception centers for non-English-speaking students, Project Headstart, curriculum study.

(*b*) Employment: Direct employment assistance, Neighborhood Youth Corps in schools, Neighborhood Youth Corps out of school, on-the-job training, Job Corps.

(*c*) Social services: Welfare aids, homemakers-teachers, Volunteers in Service to America, case aids, Girl Scouts, unwed mothers.

(*d*) Neighborhood services: Tenant relations advisers, community renewal team fieldwork, community service corps.

(*e*) Housing: Service to housing project residents, assistance to minority group home finders, house surveys.

5. Town meeting of tomorrow held in Hartford in 1964 and which has resulted in nine towns within the capital region adopting ordinances under State enabling legislation providing for local membership in a regional council of elected officials.

6. The organization of a housing development fund by the local business community for the purpose of providing financial and technical assistance in constructing a variety of housing in renewal and nonrenewal areas.

7. A program of 10 renewal projects, 3 of which have been completed and 7 which are in either advanced planning or execution.

8. Authorization by the city council to proced with the first phase of the community renewal program which calls for four substantial renewal projects totaling over 700 acres with the capital improvement program providing the city's share.

9. Completion of the first phase of an extensive flood control project.

10. Establishment of a State-city government center committee.

11. Adoption by the Greater Hartford Chamber of Commerce of program of Operation "Go"—dedicated to improving housing, education, employment, and social services.

The enactment of the Demonstration Cities Act reemphasizes the need for and the value of internally coordinated governmental programs and also governmental with nongovernmental programs, all aimed toward the goal of making the city a better place in which to live, work, and to be educated. The community renewal program was the third major step in developing a renewal program for a city. Under the Housing Act of 1949, renewal was conceived with the project concept, later developed into general neighborhood renewal plans, and matured with the community renewal program. This overall program in Hartford analyzed the needs of the city for the next 20-year period, inventoried its present and projected resources to meet these needs, and then formulated an action program.

In addition to an action program which will liberate the captive and confined citizens of the core city from poverty, fear, prejudice, and a sense of hopelessness, we further stress another key element in the demonstration cities program—metropolis. Break down the old-fashioned, imaginary, artificial, and still existent political barriers which separate city from suburb and suburb from the village. Eradicate these old-fashioned barriers just as we must eradicate social, human, and physical problems. Solving the problems within the borders of the core city calls for consideration and treatment of the core city and the suburb and the village as one neighborhood, large though it may be. A part of the total renewal objective must be to show that the city can no longer be used often to the point of being abused, by the suburb and village. While cities as focal points of business and social activity will always remain, city governments have ringed the core of our society with an obsolete band of archaic and inadequate laws.

We believe that a spirit of hope, not hopelessness; of action, not inaction; of being positive and not being negative permeates this testimony. We believe that the rebirth of the core city is neither a catchy phase nor a figment of a mayor's imagination. We believe that now more than ever before, city government, the business community, and the social action agencies are in step marching forward together, with the same objectives, the same vision, and in the same voice.

I can summarize in one word the hopes, aspirations and the determination of the whole city of Hartford—and I would add here, all cities in our Nation—to totally renew themselves in terms of physical and human renewal. That one word is "commitment." By commitment I mean abandoning the old, rigid ideas and concepts of the past and even the present, and substituting bold and creative approaches to city government. By commitment I mean moving with and adapting to the times as they change as for example aggressively participating in all State and Federal legislation for cities and especially through vigorous participation in the multiple programs under the new Department of Housing and Urban Development.

By commitment I mean taking the bold offensive against the serious problems which plague our cities and in protecting the rights of all citizens. By commitment I mean a full dedication toward achieving a better city. By commitment I mean new chances, crossing uncertain channels, and even walking the tightrope such as promoting and assisting private enterprise in rebuilding the city, and this includes the creation of civic and cultural centers. By commitment I mean sum-

moning all of our energies and imagination toward achieving a workable form of metropolitan government. By commitment I mean making a constructive mistake in the course of action rather than the fatal one of standing still or, worse yet, of being left behind in the shaping of the new city and its newer and much more important citizens. By commitment I mean performance not promises, decisions, not delays, and action, not apathy.

These are the accomplishments, the programs and the hopes of our city and metropolitan area. It is probably not the criteria for other cities whose strengths and weaknesses are undoubtedly different from ours.

We congratulate President Johnson for his message on cities and praise the freshness of the approach, the scope of the proposal and the objectives of the legislation.

Surely prudence must be exercised in the funding of this act as well as the urban renewal program and other vitally necessary Federal programs involving financial assistance. On the other hand, the American city is on the move and the momentum which shook the city from its lethargy has to be maintained. The results of programs set up for the betterment of cities and metropolitan areas are visible throughout the United States. These results are the catalyst for more striking gains and the demonstration cities program is another excellent device dedicated to improving cities and their citizens.

This act places the responsibility for imagination and new ideas upon the city. It is an awesome responsibility but more of a challenge when the city knows what it is, where it is, and realizes what it wants to be and where it must go, in order to survive, become vigorous and vital as the heart of the body metropolitan.

Mr. BARRETT. Thank you, Mr. Mayor.

Mr. Mayor, on page 4 you mention the "adoption by the Greater Hartford Chamber of Commerce of a program of Operation Go, dedicated to improving housing, education, employment, and social services."

Does that mean and do you comprehend it properly to mean that the chamber of commerce is for demonstration cities in your city?

Mr. KINSELLA. I must say, Mr. Chairman, that the Greater Hartford Chamber of Commerce—and I emphasize Greater Hartford Chamber of Commerce—has throughout its history provided the necessary drive, financial assistance, has acted as a catalyst, using both private business and Government in promoting programs as I have mentioned—housing, education, employment and social services—and stands behind the Demonstration Cities Act as another tool that might be used to facilitate employment, education, housing, and social services in our city.

Mr. BARRETT. The reason I ask you this question—we had the Chamber of Commerce of the United Stnes before us and they apparently did not think exactly as the chamber of commerce in your great city.

Mr. KINSELLA. This is the reason, Mr. Chairman, I mentioned the Greater Hartford Chamber of Commerce and emphasize this.

Mr. BARRETT. Mr. Mayor, I am going to shorten my questioning here. We don't want to detain you too long. The bells might ring on us. We want to relase you as quickly as we possibly can.

Now, Mr. Mayor, what do you think of changing the name of the Federal coordinator to a local coordinator, and also in your answer, how do you feel about making this optional or mandatory? Would you give us your comments on that, please?

Mr. KINSELLA. We in the city of Hartford considered during our past budget deliberations, which took up the month of February, establishing a position within the city of a coordinator, devoting his time and energies along with our redevelopment agency, our training agency, our housing agency, to be a liaison man between Washington and our city. We felt that if we had an individual that could devote his full time and energy to becoming familiar with Federal legislation, and how it would benefit cities, that we would be able to move ahead more quickly with our improvement programs in our city.

I believe that there are many individuals who would be capable, both on the Federal and the local level, of acting as a coordinator. I believe that the needs of the localities could be best understood and therefore I believe that a local coordinator would service the people of that area better than a Federal coordinator.

Mr. BARRETT. In other words, you think it should be optional?

Mr. KINSELLA. Yes, sir.

Mr. BARRETT. Thank you. Mr. Harvey?

Mr. HARVEY. Mr. Mayor, how much would the city of Hartford need to finance all its programs if it were one of the demonstration cities—in round figures—are we talking about a million dollars, a hundred millions dollars or what?

Mr. KINSELLA. You are talking, I would say, about $200 million. But we are more—pardon me—I am more interested in developing within the area, not the city, not the corps, but the metropolitan area, to enable us to break out of the wall which surrounds us in developing a demonstration program throughout this total metropolitan area. This, sir, I cannot answer as far as figures go.

Mr. HARVEY. What was the figure you gave me for the city of Hartford?

Mr. KINSELLA. There has been a projected figure of $200 million, I believe, to carry out our community renewal program.

Mr. HARVEY. This is for immediate needs, is that correct?

Mr. KINSELLA. This is the community renewal program. It's about a 20-year program, sir.

Mr. HARVEY. One of the apprehensions here of other mayors has been the one I recited earlier—and you were in the room at the time—that is the fear that this is going to divert urban renewal funds. I say that because simple arithmetic will tell you that the demonstration cities will swallow up 80 to 100 percent of the funds authorized to urban renewal funds could therefore be eliminated except for the 70 or so demonstration cities that were picked.

Now, where would that leave Hartford, for example, if Hartford was not picked as a demonstration city? Where would that leave the other cities if they were not picked as demonstration cities and were not in the program? Do you share that concern, or do you have this concern?

Mr. KINSELLA. Certainly we have concern, sir. We have concern as to—as we testified—how this demonstration program is going to

be funded. We have concern as to whether or not the $2.3 billion is enough to fund the program that is so vitally necessary to all our cities.

Mr. HARVEY. Well, it obviously is not enough, because if you figure it out in simple mathematics, and you take the money needed for the demonstration cities program, you are going to use up the urban renewal funds, and a lot of the other funds that some of the other cities have been wating for a long time. So this is a real concern. I wondered whether you had given this thought or not—because out of the 700 cities eligible, there are only 70 going to be picked as demonstration cities.

Mr. KINSELLA. I believe over a period of years that this country of ours can provide those people, all of us, the services, the opportunities—I believe it is great enough to provide all of us with these opportunities and services, and therefore I would indicate that if the $2.3 billion were not enough, that more money might be forthcoming from the Government. These are the first areas of action so necessary, immediately necessary, to save a deteriorating situation which if it is not solved and solved immediately, chaos will result.

Mr. HARVEY. Well, let me ask you this.

If the demonstration cities program were to wipe out any future program that you had for urban renewal if you did not get to be a demonstration city, what choice would you make? I realize that's a tough decision for a mayor, and a tough question for a Mayor to have to answer. But this is what we are faced with, real tough decisions, right here.

Mr. KINSELLA. It's a tough question, but I think personally that, as I said before—that we should not have to make a decision. We have prepared programs, we are moving ahead under the present legislation available. We think that we can move ahead faster if this demonstration city bill legislation becomes law. We are not saying that we should eliminate or forget about our renewal programs which are now in planning and execution. We are interested in finding another tool, and this Demonstration Act would provide this—another tool to move ahead faster with our problems.

Mr. HARVEY. Well, Mr. Mayor, I don't think you have answered my question. But let me say as a former mayor myself, I can see why you would not want to.

I have no further questions, Mr. Chairman.

Mr. BARRETT. Thank you, Mr. Harvey. Mrs. Sullivan?

Mrs. SULLIVAN. Thank you, Mr. Chairman.

Mr. Mayor, you have made a very, very good statement—one with imagination. I can see that a lot of thought and planning has gone into it.

How do you believe the cities should be selected to participate in the demonstration cities program?

Mr. KINSELLA. If I am not mistaken, I believe that the President's Task Force came up with the idea of a demonstration cities program. This in itself represented people from many different areas of the country, many different occupations, many different educational levels.

It would be my thinking that if—and I recognize in the selection of the cities to participate in this possible legislation it would be my opinion that this task force that has been familiar with the prob-

lems of the Demonstration Cities Act is directed to solve has had the opportunities to examine all the different cities that are in so serious need of additional help through this country—it would be my opinion that these gentlemen serve on a selection committee, a demonstration city selection committee, and have the opportunity to select those cities wih the most serious and difficult problems to participate in the demonstration cities legislation.

Mrs. SULLIVAN. You prefer that idea to leaving it up to some political body?

Mr. KINSELLA. I for one would not want to be charged with the responsibility of selecting those that might participate in this legislation.

Mrs. SULLIVAN. It would be a tough assignment. Thank you.

That's all, Mr. Chairman.

Mr. BARRETT. Mr. St. Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

I wonder if I might ask my colleague, Mr. Harvey, in view of his questioning if he would like to join me in legislation that would in effect increase the amount and expedite the funds that we can expend on urban renewal rather than this present plan we have—let's inject more money into it, and allow it to be spent a little quicker, because we are running so far behind on our applications. Not that I am not completely convinced on this program—but that perhaps would alleviate one of the fears we have about the Demonstration Cities Act.

Mr. HARVEY. I would just say to the gentleman that I have not yet decided what I am going to do on this bill yet, whether I am going to support it or oppose it. But I wholeheartedly support the concept of urban renewal.

I believe that this is a legitimate area of concern with regard to this particular legislation. I think perhaps what the gentleman says over there has considerable merit. I would want to sit down and think it over, though.

Mr. ST GERMAIN. I agree with the gentleman from Michigan. One of the fears that we should have is that should we decide individually or collectively this is good legislation, this Demonstration Cities Act, we should be able to assure ourselves within our own minds that this legislation will not interfere with urban renewal as it is now progressing, because we have problems already there.

Mr. Mayor, on page 4 you mention that you had a program of renewal projects, three of which have been completed, and seven in advanced planning or execution.

The first question is, what is your time lag between the time that you acquire the urban renewal project area, the area, and the time that this land, this area once again becomes tax-producing for the municipality, in this instance the city of Hartford?

Mr. KINSELLA. If I may, I would like to defer to my expert here.

Mr. BLISS. Mr. St Germain, in our first project area, which actually consists of three projects, planning started in 1952. However, from the time that we started to purchase land—we had had a court case, and some other difficulties—a Supreme Court case, as a matter of fact—from 1957, when we started that, until April of 1964, this is the period that it took. In other words, it was a 7-year period.

Mr. ST GERMAIN. It actually took you what seems to be the average time span, a 7-year span.

Since I am rather familiar with Hartford—I have a sister who taught there—we spend a lot of time in Hartford. Christmas time we were impressed with—what is it you call it—the shoppers mall.

Mr. BLISS. Constitution Plaza.

Mr. ST GERMAIN. We were very impressed with that, and aware of the work down there.

But actually, tell me, what type of urban renewal, these projects you have completed—have they been commercial, or have you gone into housing?

Mr. BLISS. The first three projects which actually combine to form Constitution Plaza were all commercial types. We are getting into the periphery of the areas of the city, and into neighborhoods now. We do have a high-rise housing development starting directly across from city hall. In three of the remaining projects, we do have a concentration of housing.

Mr. ST GERMAIN. You do have, as all other communities, a problem with substandard housing, do you not?

Mr. BLISS. Yes.

Mr. ST GERMAIN. Do you feel that you are giving enough attention to this problem as against the renewal, such as Constitution Plaza—a balancing off, in other words?

Mr. BLISS. Yes. I think there might be a little delay in getting into the residential area, but I think that consistent with the mayor's testimony, and consistent with the problem that faces the older, particularly eastern cities, it is absolutely a must to get into the core area, downtown, because I think this is where the investment is, this is where the libraries are, this is where city hall is, government services, the large stores—this is the key.

In our city, 80 percent of the revenue which goes to run the city has to come from the real estate tax, and probably about a third of that comes from the very, very small central business district. It is absolutely imperative that that be shored up economically before you could get to the peripheral areas, and really tackle the housing problem. So while we might have been a little bit late, I think if we were to do it over again, we would have to start the same way and at the same place.

Mr. ST GERMAIN. I might make this comment. We on the committee, those of us who are members, who support urban renewal, appreciate the dollars and cents factor involved. By the same token, I don't know about others, but I particularly feel when you see people in substandard housing, you also have a moral obligation which is very important. That's my concern. I do hope the city of Hartford is keeping this in mind also. There is a moral obligation to see to it these people are properly housed.

Mr. Mayor, do you have a comment?

Mr. KINSELLA. Yes, Congressman.

I would add to what Mr. Bliss has said. Most serious areas of decay in our city were in the area where Constitution Plaza now stands.

Mr. ST GERMAIN. Is this decay of commercial buildings you refer to?

Mr. KINSELLA. I am talking about residential. This was the oldest

area of our city, going back possibly 250 or 300 years. This is when Hartford was founded. Our moral obligation demanded of us that we go into this area, clean it out, and provide the city with something attractive. In doing so, we did establish some housing areas. Now we are devoting all of our talents and all of our energies toward housing, in all areas of our city.

Mr. ST GERMAIN. I am happy to hear that.

My last question is this.

Having a slight familiarity with Hartford, I am naturally aware of the fact you are very fortunate in having an exceptionally fine financial community, some of the major insurance companies in the country. They, I feel, also have been very cooperative in your urban renewal. Do you find you are going to get the same cooperation from them in these other areas where you are going into the housing problem? Have they made commitments in this area also?

Mr. KINSELLA. Yes; they certainly have, sir. They have established on their own a housing project. I don't recall the name of it. The business community themselves are and have provided funds to build a planned 1,000-unit—this is called the housing development fund—1,000 units of housing.

Mr. ST GERMAIN. This is moderate or low income?

Mr. KINSELLA. This would probably be moderate to low.

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. BARRETT. Mayor Kinsella, all time has expired. We are certainly grateful for your coming here. You have done a splendid job. You have been a good witness. Your associate also has done a splendid job. We appreciate your coming.

Mr. KINSELLA. Thank you very much, Mr. Chairman.

Mr. BARRETT. At this point in the hearing I would like, without objection, to introduce for the record the following items.

First, I have a letter from Bill Levitt who is one of the biggest and most successful builders of housing in the world in strong support of FHA insurance for "new towns." Mr. Levitt also attached an article on this subject discussing Mr. Levitt's views and activities further which appeared in the February 15 issue of Forbes magazine which I also would like to go into the record.

Second, a statement from Hon. Frederick W. Palomba, Jr., mayor of Waterbury, Conn., who has submitted a very fine statement in support of President Johnson's demonstration cities grant program.

Third, an excellent statement by Mr. Clarence W. Bird, director of the National Economic Commission of the American Legion, in support of the bills which Mr. Widnall and I introduced which would remove a restriction on the use of the FHA veterans preference loan we authorized in last year's act. Specifically, the bill would not bar a veteran from eligibility just because he had previously used his entitlement under the GI loan program.

Fourth, a very fine wire from Hon. Richard H. Demers, mayor of Chicopee, Mass., recording the support of his city for the President's Demonstration Cities Act of 1966.

Fifth, an excellent statement from Hon. James J. Flynn, Jr., mayor of Perth Amboy, N.J., urging that Perth Amboy be selected as a demonstration city under the proposed legislation.

Sixth, a letter from Hon. Alfred R. Pierce, mayor of Camden, N.J., which was sent to me by our esteemed colleague, Hon. William T. Cahill, from the First Congressional District of New Jersey.

(The information referred to follows:)

LEVITT & SONS,
Lake Success, N.Y., February 17, 1966.

Hon. WILLIAM A. BARRETT,
Chairman, Housing Subcommittee of the House Banking and Currency Committee, House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BARRETT: How we provide for expanding industry and a growing population is a crucial problem facing the Nation today. The present condition of our cities and the growing difficulties in our suburbs show that the problem has not been handled well up to now. It is certainly to be hoped that the housing bill before your committee results in legislation that will open the door to some workable solutions.

The plain fact is there's no more room in the cities. They are overcrowded and choked. Land close enough to the cities for people to get to work has mostly been used up; the small area remaining is snarled by restrictions and priced out of sight. The only solution is to create jobs where there is open land and to provide housing close to those jobs. In a word, what we must do is build new cities.

How this can be done was charted 30 years ago by the FHA. Putting Government guarantees under home mortgages made the United States a Nation of homeowners. Today, putting similar Government guarantees behind the much more costly and complicated undertaking of building whole new cities will enable private industry to do that job.

My views on this subject have been expressed in somewhat greater detail in the current issue of Forbes magazine, a copy of which is enclosed.

Very truly yours,

WILLIAM J. LEVITT, *President.*

[From Forbes magazine, Feb. 15, 1966]

NEXT: MASS-PRODUCED CITIES?

It's bound to come, says William J. Levitt, whose firm started the last big trend in homebuilding and is now poised to start another.

One of the most overworked terms in the business and trade press is "revolution." There are "revolutions" in packaging, "revolutions" in transportation, "revolutions" in fashion, even "revolutions" in men's toiletries.

Abused though the term may be, there is no other word to describe what Lake Success, N.Y.'s Levitt & Sons did in the homebuilding industry in 1947. Levitt's bulldozers ripped up 5,000 acres of Long Island farmland and replaced the potatoes that had grown there with homes, 17,447 of them; U.S. homebuilding was never the same again.

All of Levittown's houses had exactly the same floor plan, all were nearly as much alike as model T Fords, but they were excellent value for the money and they opened the way to solving the U.S. post-World War II housing shortage. Levitt proved that homes could be mass produced almost as readily as autos.

Levittown, N.Y., was followed by Levittown, Pa., and Levittown, N.J., and hundreds of other homebuilders throughout the Nation adopted Levitt methods of building huge-tract home developments surrounding cities throughout the land. Even small towns began to sprout midget Levittowns.

But now, says Levitt president, William J. Levitt, the revolution has run its course. It's finished. The reason is a simple and irreversible one: The suburbs have become so crowded it's no longer possible to find vast expanses of inexpensive land on which to mass-produce homes.

"If I could find enough land within commuting distance of New York on which to build another Levittown, I could sell every house a dozen times over," says Levitt. "The land isn't there."

The end of the Levitt revolution hasn't stopped Levitt & Sons from continuing to grow. Sales in fiscal 1965 reached an all-time high of $60 million, up 46 percent from 1964. Earnings were up 21 percent to 85 cents a share. Sales and earnings both should show an increase of 20 percent in fiscal 1966, which ends

on February 28. Levitt has been putting up smaller, more variegated developments, and it has gone abroad to France and Puerto Rico.

Waiting for Congress.—Meanwhile, the company is getting ready to launch another revolution in homebuilding. Bill Levitt says he will give the signal for it the minute President Johnson's request for a $2.3 billion, 6-year program to remake the Nation's cities becomes law. The President's program contemplates helping to finance the building of brandnew cities. "That is the next stage in homebuilding," says Levitt. "Not housing developments in the suburbs of existing cities, but new cities."

He frankly believes the existing cities are hopeless. "I have ideas about what should be done," he says, "but they're politically impossible. For example, no U.S. mayor would dare to do what De Gaulle has done in France. If you tear down an eight-story building in Paris," Levitt says, "you can't replace it with a building bigger than eight stories. It's almost impossible to get permission to build a new factory in Paris. Here, well, you have that monstrosity in New York, the PanAm Building, which dumps 50,000 people into the street at lunch time. You have that disgrace known as Park Avenue. It's a social disgrace, and economically, it's created chaos. Factories keep going up around the cities, creating impossible transportation problems."

The only solution, says Levitt, is dispersal. "We have millions of acres in this country with nobody there. People have been concentrated in just a few metropolitan centers. We must reverse this trend. We must move them out into new cities."

These cities, Levitt adds, "should be planned from scratch. We live in a planned society. We must plan our cities, too. And the whole city must be built at once. There's no sense in putting up homes if people have no place to work. There's no sense putting up factories if the workers have no place to live. We must put up everything at the same time—homes, factories, stores, schools, police stations, recreation areas, everything."

Guarantee needed.—If this sounds distinctly like a socialized society, Levitt thinks it need not necessarily be one. He believes that private industry can do the job—but only with Government help. "Nobody can risk the kind of money you'll need," he says. Specifically, what he would like is for Congress to broaden the scope of the Federal Housing Administration. "In 1934, when you couldn't get mortgage money, Congress created the FHA to guarantee mortgages for homes. Now Congress should let the FHA guarantee loans for building new cities—for the sewers and firehouses, as well as the homes." One such project, he thinks, would cost about $650 million, not including the factories.

As soon as the President's program is enacted, Levitt says, "We'll get serious. We'll tie up 20,000 acres. Where? Well, climate will be a consideration. So will scenic attractions. The South. The Southwest. The West. Then we'll call a meeting of companies like General Electric and International Business Machines. We'll tell them we plan to build a city for 100,000 people, a city which provides for their every need. The one thing it won't have is a wrong side of the tracks.

"I'm sure many companies will be interested. I remember Charley Wilson (former General Electric president) telling me once it was a mistake to concentrate GE in Schenectady. He should have built the plants all over the country. It would have made a lot of his problems easier—for example, his distribution problems."

Planning the new city may take "3 or 4 years," Levitt says. "When we start building it, we'll start the firehouses and the schools the same day we start the homes."

Levitt adds: "You'll notice I say 'when,' not 'if.' Congress has to accept the idea of new towns. We can't keep going on this way. There's just so much room in the cities and the metropolitan areas. There's a limit to how many people you can keep putting into them. The Nation has to start spreading out again."

* * * * * * *

WHAT JOHNSON WANTS

President Johnson's plan for the Nation's cities is highly ambitious and possibly visionary. He wants nothing less than to transform the decaying cities of the present into "the masterpieces of our civilization."

As a start, he proposes to select 60 to 70 "demonstration cities." These will receive large doses of Federal aid, doses of sufficient magnitude to "arrest blight

in entire neighborhoods." The program would be aimed at rehabilitating neighborhoods not only physically but socially as well. In each of the demonstration cities, the President hopes to rehabilitate between 15 and 20 percent of the slums and, even more important, the people who live in them.

The President's proposals include a ban on discrimination in the sale or rental of housing, $30 million for rent subsidies for the poor, and a 1-year extension of the mass-transportation program. They also include—and this is what intrigues Levitt—"mortgage insurance * * * for sites and community facilities for entire new communities." Johnson agrees that "our existing urban centers, however revitalized, cannot accommodate all the urban Americans of the next generation." He also agrees that "the growth of new communities is inevitable."

THE CITY OF WATERBURY,
Waterbury, Conn., March 8, 1966.

Representative WILLIAM A. BARRETT,
Chairman, Housing Subcommittee,
Committee on Banking and Currency,
Washington, D.C.

DEAR REPRESENTATIVE BARRETT: We in Waterbury have followed with great interest and anticipation President Johnson's proposed "demonstration cities program." We believe this approach to urban problems is not only sound, but virtually essential to the realization of lasting solutions for cities such as ours.

Waterbury is utilizing as many of the existing aids for urban development and community welfare as possible. Yet we find that they are inadequate to help achieve the task before us as quickly and effectively as we believe necessary. We feel strongly that a broad based, coordinated program with sufficient financial assistance is needed to attack our problems on the necessary scale. To be truly effective, such a program should be flexible and encourage each city to design a comprehensive attack on its own unique problems.

In order to more fully express our support and enthusiasm for the proposed demonstration cities program, I requested, in a letter dated March 4, 1966, an opportunity to testify before your subcommittee during the current hearings. We in Waterbury feel that Congress should be made aware of the support this program has in cities such as ours. If, however, arrangements cannot be made for my appearance before your subcommittee, I would like to request that the enclosed statement be included in the proceedings of the hearings.

Thank you for your efforts on our behalf.

Sincerely,

FREDERICK W. PALOMBA,
Mayor.

STATEMENT OF MAYOR FREDERICK W. PALOMBA, WATERBURY, CONN.

The complex problems confronting American cities today demand bold and imaginative solutions. It appears to those of us who struggle daily with these problems that the approach suggested in President Johnson's proposed demonstration cities program is a major stride toward the development of a comprehensive attack on related urban ills.

Our experience in Waterbury has already demonstrated to us that a coordinated effort utilizing all available aids is capable of producing more substantial results than the same aids operating independently. However, the present framework for administration of all related community development and social welfare programs is not geared to the necessary broad approach. We envision the demonstration cities program as a means to channel existing programs and develop new ones within one overall administrative and operative structure whose sole purpose is the coordination and implementation of the city's physical and social goals for improvement.

Furthermore, we have found that the need and demand for essential services—social, educational, and physical—are growing at a more rapid rate than our capacity to provide them. If cities such as ours are not only to hold their own, but also to try to reverse the trends of many decades, substantially increased financial aids are needed quickly. Existing aids must not only be continued, but also accelerated. We believe the proposed demonstration cities program offers the basis for an approach of the necessary magnitude, although we are not prepared to evaluate the adequacy of the funds presently proposed for allocation. We

further believe that this program, if enacted, cannot stop with the initial demonstration cities. Every city faced with problems such as ours should be encouraged to develop an imaginative, comprehensive program of remedial action. All those cities demonstrating the need and the ability to participate should be permitted to do so.

We fell that Waterbury is the type of city that could most benefit from a demonstration program and that could produce the most dramatic demonstration of community improvement. Our ambitions for Waterbury, however, can only be realized by dedicated effort on both the local and Federal level. We feel we have come a long way already. In a few short years, a climate of progress and change has developed in Waterbury. This new climate is ideal for the vast new programs contemplated in the demonstration cities program. Three important aspects of community attitude and change are particularly representative of this new climate.

Urban renewal referendum.—On June 25, 1963, the people of Waterbury made known their faith in the city's urban renewal program. By an overwhelming margin they voted "yes" to the question "Are you in favor of urban renewal?" This expression of support was the result of an outstanding effort by local citizens to make known the benefits of urban renewal to the general public. This type of broad support is vital for the comprehensive program Waterbury wishes to accomplish.

Highway construction.—Long removed from the main corridor of highway travel, Waterbury has fought and won the battle for a location on the State's new major highway network. As a result of a concerted effort by local officials and citizens alike, Waterbury is now at the hub of a highway system which provides direct access from all points of the compass. Route 84 (east-west) and Route 8 (north-south) will enable the city to compete for retail trade and industry with any city in the State. It was the foresight of Waterbury's leaders that convinced them of the need of this advantage. The city is attempting to maximize this advantage through its urban renewal program.

Regional planning.—Waterbury is at the center of the central Naugatuck Valley region. The Central Nangatuck Valley Regional Planning Agency is a fully staffed and oprating regional planning agency which has ben performing a valuable service for the region since its formation 5 years ago. Its most unique achievement is the development of the first regional plan to be adopted in the country. Regional planing is a recognized function of government in Waterbury and has and will continue to play a role in the direction of community and regional growth. All new plans and programs developed by the city are undertaken within the coordinated framework of metropolitan development provided by the regional planning agency.

In order to capitalize on the enthusiasm and support that has been generated for the local programs, prompt and vigorous action is required. Here in Waterbury we have made every attempt to maintain the pace that has been established. Despite a slow start in urban renewal activity, Waterbury has shown remarkable gains in the past several years.

1. Three projects already in execution have been brought close to completion.

2. A community renewal program (CRP) has been initiated to guide the city's total urban renewal effort. Although little more than half completed, the CRP has already demonstrated itself to be an extremely valuable tool and is becoming a recognized component of the city's overall development program. It has already resulted in the following steps.

3. On recommendations developed from the CRP, a new renewal project, Porter Street (R–101), was designated locally and has already received a survey and planning advance. Furthermore, an early land acquisition loan application has already been submitted and is being processed for this project. The entire project is to be devoted to moderate income 221(d)(3) housing and/or State-sponsored housing for the elderly. This new development is also expected to generate new vitality in one of Waterbury's "gray" residential neighborhoods.

4. Based on recommendations by both the CRP policy committee and the Redevelopment Agency, a major downtown project has been delineated and a survey and planning application already submitted. The central business district (CBD) project includes the major retail and governmental center of Waterbury and is intended to attack some of the city's most pressing problems on a scale which has heretofore been lacking. Waterbury's commitment to a massive program of community improvement is typified by this major under-

taking which includes over 90 acres of prime land and is anticipated to have a net cost of over $50 million.

5. Based on an analysis developed during the CRP, the city is initiating several unassisted renewal projects in undeveloped areas which were prematurely subdivided many years ago in a manner which precludes development now. These will be used as relocation resources for displaced industrial uses.

6. In addition to its regular welfare and education programs which have provided continuing service to the community, Waterbury boasts a citizen inspired, organized, and operated nonprofit agency established to administer programs of the Office of Economic Opportunity. New Opportunities for Waterbury, Inc. (NOW) has been operating for only a year, but has already made a significant contribution to the lives of many disadvantaged families.

We are making every effort and will continue to make new efforts to provide our citizens with better housing, more social services, broader educational programs, expanded community facilities, and increased amenities of urban life. However, we believe it will be extremely difficult, if not impossible, to achieve our desired and necessary rate of progress under the present system of administration and financial aid. We cannot shirk our obligations to our citizens and we welcome the challenge of more comprehensive, more ambitious methods to achieve our goals. Therefore, we in Waterbury urge you to provide us and cities like us with every possible assistance. We feel the demonstration cities program can be one of our most valuable tools to achieve our task.

STATEMENT OF CLARENCE W. BIRD, DIRECTOR, NATIONAL ECONOMIC COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to express the view of the American Legion in connection with H.R. 11858.

The American Legion's support of H.R. 11858 is based on resolution No. 577, adopted by our 1965 national convention. A copy of resolution No. 577 is attached.

The Housing and Urban Development Act of 1965, provided, among other things, a special Federal Housing Administration insured housing loan program for all honorably discharged servicemen (including war veterans).

There is no limitation in the law as to the number of times an eligible serviceman may avail himself of these special Federal Housing Administration loan benefits, except in the case of a veteran who has previously utilized his entitlement under the Veterans' Administration's home loan program. In his case he is barred from any benefit under existing law.

It is the position of the American Legion that this discriminates against certain war veterans. H.R. 11858 will eliminate this unwarranted discriminatory provision under the present Federal Housing Administration law and will give all qualified veterans the same advantage in applying for the liberalized mortgage financing terms as granted other servicemen.

Mr. Chairman, we thank you for this opportunity to comment on H.R. 11858 and hope that prompt, favorable action will be taken.

FORTY-SEVENTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION, PORTLAND, OREG., AUGUST 24–26, 1965

RESOLUTION 577

Committee: Economic.
Subject: Veterans home loans.

Whereas, the Housing and Urban Development Act of 1965, amended section 203(b)(2) of the National Housing Act to provide for an FHA insured housing loan program for all honorably discharged veterans of active duty in the Armed Forces of the United States; and

Whereas, such act provides that this benefit shall not be available to World War II and Korean conflict veterans who have received their benefits under the VA housing program; and

Whereas, there is no limitation as to the number of home loans eligible veterans may obtain under the FHA veterans insured loan provisions; and

Whereas, this discriminates against World War II and Korean conflict veterans which is entirely unwarranted and places peacetime veterans in a more favorable position than wartime veterans: Now, therefore, be it

Resolved by the American Legion in national convention assembled in Portland, Oreg., August 24–26, 1965, That section 203(b)(2) of the National Housing Act, as amended, by the Housing and Urban Development Act of 1965, be further amended to eliminate that provision which bars benefits under the VA housing program from obtaining FHA insured veteran home loans.

[Telegram]

CHICOPEE, MASS., *March 2, 1966.*

Hon. WM. H. BARRETT,
Chairman of the House Banking and Currency Committee, Subcommittee on Housing, House of Representatives, Washington, D.C.:

The city of Chicopee, Mass., desires to be recorded favoring enactment of the Demonstration Cities Act of 1966. Chicopee is an old industrial city of 60,000 people divided into five distinct sections through immigration, sociological, ethnic, and economic impacts and 19th century factory-owned housing for millhands.

We urge enactment of this program as a desirable opportunity to attack and solve vital areas of concern to our people, their health, environment, and opportunity, both economically and culturally.

RICHARD H. DEMERS,
Mayor, City of Chicopee.

STATEMENT BY JAMES J. FLYNN, JR., MAYOR OF PERTH AMBOY, N.J., TO HOUSE SUBCOMMITTEE ON HOUSING

Mr. Chairman, I urge that Perth Amboy be selected as a demonstration city under the administration's proposed legislation.

I believe that Perth Amboy would be ideal to prove the purposes of the program advocated by the administration. While our city is still strong and secure, our population has decreased and has dropped to an estimated 34,000 from about 45,000.

Our business district, which consists of older buildings, has suffered the dilemma of every city surrounded by shopping centers. Our young people, who do not find it necessary to reside near the great industries in our city, have moved to the suburbs and we have been struggling.

We have justifiable pride in Perth Amboy: the city has a fine hospital that serves the entire area. We have a YMCA, a YMHA, a Salvation Army facility, and 48 churches of every denomination.

We have a good public school system, seven parochial schools, and a parochial high school.

We have a boardwalk and waterfront recreation area, a yacht club, and a marina.

We are a center of for professional activities—medical legal—used by the entire Raritan Bay area.

A respected and successful newspaper serves the area.

Our banks and savings and loan facilities have grown steadily.

Our industries are prosperous and employ over 12,000 persons. They are diversified and include some of the most renown names in America.

We are proud of Perth Amboy, which was founded 302 years ago on the shore of Raritan Bay. We had a great influx of heavy industries—coal, copper, lead, and others. Until 1914, many people came from Europe and built modest homes within walking distance of the plants.

But Perth Amboy needs help, and the Federal Government can provide some of that aid.

Perth Amboy needs access roads, middle-income housing, a rebuilding of the downtown business district, and the elimination of many substandard business and residential structures. In addition, we have long-range plans for establisting a public works center, a new municipal building, a cultural center, and a new police headquarters.

Mr. Chairman, if Perth Amboy is selected as one of the 70 demonstration cities in the Nation, some of these important projects will be converted from hope to reality.

And if they are, not only will the city of Perth Amboy benefit, but more important, its people, who are looking forward to a great era of resurgence, progress, and achievement.

I request that this statement be included in the official hearings of this subcommittee.

CITY OF CAMDEN, *April 6, 1966.*

Hon. WILLIAM T. CAHILL,
Congressman, First District,
Longworth House Office Building,
Washington, D.C.

DEAR CONGRESSMAN CAHILL: I do wish to take this opportunity, in accordance with your letter of March 30, to submit a statement for possible consideration to the House committee as stated in your letter.

With regard to the demonstration cities project, reports indicate that preferred cities are to be given the assistance. This, if true, would be against the grain of basic, sound American principles. If funds are to be available, the principle of equal opportunity should apply. I am opposed to the selection of municipalities for Federal aid on any basis that does not give to all the opportunity to apply.

I believe the times has come for any city applying for aid to list all aid previously received from the Federal Government. I have the impression that a revelation of funds received would indicate that some cities have already received preferred treatment and are still clamoring to be at the top of the list for new money.

Camden will welcome the opportunity to compete on any fair basis for Federal help to win the battle against slums, blight, and decay.

I have a proposal to submit for the committee's consideration, as follows:

Allow cities to borrow funds from the Federal Government, making provision for the delay of payment of principal for a period of 10 years or more. The city would pay the interest on the loan. If foreign nations can be the direct recipients of loans from the United States, I believe our cities are a better risk. I would welcome the opportunity to discuss this idea further. Direct loans rather than grants will eliminate much loss of time and prove to be far more valuable.

Cordially yours,

ALFRED R. PIERCE, *Mayor.*

Mr. BARRETT. Without objection, we will be in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:45 p.m, the subcommittee adjourned, to reconvene at 10 a.m, Tuesday, March 15, 1966.)

DEMONSTRATION CITIES AND URBAN DEVELOPMENT

TUESDAY, MARCH 15, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. William A. Barrett (chairman of the subcommittee) presiding.

Present: Representatives Barrett, Mrs. Sullivan, Moorhead, Reuss, Widnall, Fino, and Mrs. Dwyer.

Mr. BARRETT. The committee will come to order, please.

This morning our first witness will be the Honorable Ralph S. Locher, mayor of Cleveland, Ohio.

Mr. Mayor, would you come to the witness stand, please?

Mr. Mayor, we hope we can give you a comfortable feeling this morning, and we want you to feel at home.

I do want to say for the record that Charlie Vanik, one of our outstanding Congressmen, a very capable and knowledgeable Member of Congress, has been speaking very highly about you, and the splendid job you have done as the mayor of Cleveland.

Mr. Mayor, if you desire to read your statement in full before any questions are asked, you may do so—whatever procedure you are desirous of following, we would be glad to abide by.

STATEMENT OF HON. RALPH S. LOCHER, MAYOR OF CLEVELAND, OHIO

Mr. LOCHER. I would prefer that, Mr. Chairman.

I want to reciprocate, and state the high esteem and regard with which we hold Charlie Vanik. I am one of his constituents. We frequently look to him for advice and counsel and help. And I appreciate the fine things that he has said about me, and I want to return them manifold.

Mr. Chairman and members of the committee, my name is Ralph S. Locher, and I am mayor of the city of Cleveland. It is an honor to be invited to appear before this committee to speak for the people of the city of Cleveland in support of H.R. 12341, the Demonstrations Cities Act of 1966.

Our view, our comments, and our criticisms are constructively offered, intended to improve the effectiveness of the proposed program.

May I start by saying, Mr. Chairman and members of the committee, that this bill is not a cure-all. It will not do away with all the ills and prejudices which permeate our urban society today. How-

ever, it is a step in the right direction and undoubtedly one of the most important pieces of legislation that will ever come before this committee.

Mr. Chairman and members of the committee, I am well aware of the vast commitments the United States has undertaken to contain communism and to maintain peace in the world, to open the new frontier of outer space, to create a great society here at home. Gentlemen, I submit that of all these goals, the most difficult to achieve will be that closest to home, the creation of the Great Society. Yet up to this point, that goal is the one which has received the least attention over the years from the Federal Government.

Make no mistake about it, our great metropolitan cities are the nerve centers of our Nation—the centers of our culture, business and industry, education—of our very civilization itself. The day is long since past when the United States was a nation of farmers, when the frontier and the land of opportunity lay in the unclaimed and undeveloped vastness of our plains and mountains. Yesterday the land was the frontier, tomorrow perhaps it will be space, but today the frontier of opportunity is the city.

The city today is not just the port of entry for the immigrant—both from foreign shores and from he depressed regions of our own Nation—it is the destination. To our borders daily flock thousands of young and old seeking a better life, seeking an opportunity to partake of our unprecedented prosperity. But for far too many their dreams of opportunity have turned out to be nightmares of despair. Unpropertied and jobless, millions of our citizens have been crowded into the old deteriorating areas of our cities to create slums and ghettoes from which there is today little hope of escape.

At the same time, our upper and middle economic classes have been fleeing to the suburbs, leaving the central cities to fend for themselves. And fended we have. But the task, gentlemen, is becoming to much for us to handle on a piecemeal basis with a bit of assistance here and there from the States and Federal Government.

The plus economy, with the high gross national product, the highest in history, and on the other hand the pockets of poverty and misery, remind me of the preamble to the "Tale of Two Cities."

> It was the best of times, it was the worst of times: it was the age of wisdom, it was the age of foolishness; it was the epoch of belief, it was the epoch of incredulity; it was the season of light, it was the season of darkness; it was the spring of hope, it was the winter of despair.

Mr. Chairman and members of the committee, we are faced with no less of a task than creating a new middle class in our great central cities. This is a task in the best American tradition and a task worthy of our best efforts. But it is also a task which we can hope to accomplish only by marshaling all the forces and all the resources at our command and working together as never before.

The bill before you today will help the cities to plan, develop, and carry forward comprehensive programs to develop our physical and human resources. It will enable us—indeed require us—to bring all our governmental sources to bear on the solution of these problems. It will enable selected cities to rebuild or restore entire slum or rundown neighborhoods. It will make it possible to improve and in-