of their larger counterparts, and their small bond offerings are not particularly attractive to private investors. In these situations, the PFL program is available as a "lender of last resort," making possible facilities essential to health and welfare that would not otherwise be constructed or would be built only with the penalty of excessive interest charges.

2. Operation

The program operates wholly as a direct Federal operation. Program operations are highly decentralized, with major responsibilities delegated to the seven regional offices and one area office of the Department of Housing and Urban Development, under the general supervision of a Washington headquarters office.

3. History

Authorization for the program derives from title II of the Housing Amendments of 1955, as amended. The PFL program is the functional successor to programs initiated in 1932 under the Reconstruction Finance Corporation and in 1933 under the Public Works Administration to assist State and local governments in the construction of needed public works.

Prior to the passage of the Housing Act of 1961 the eligible applicants were defined as "States, municipalities and other political subdivisions of States, public agencies, and instrumentalities of one or more States, municipalities and political subdivisions of States, and public corporations, boards, and commissions established under the laws of any State" having authority under State or municipal law to finance specific public projects. Section 501(b), Housing Act of 1961, Public Law 87–70, further restricted the eligibility to authorized municipalities and other political subdivisions and instrumentalities of States (including public agencies and instrumentalities of one or more municipalities or other political subdivisions in the same State.) Thus, States no longer are eligible. In 1962, Indian tribes became eligible for program assistance under the provisions of section I of Public Law 87–808.

Title II of the Housing Amendments of 1955 requires that the Department of Housing and Urban Development give priority to applications of smaller municipalities for assistance in the construction of basic public works (including water, sewer and gas distribution systems) for which there is an urgent and vital need. "Smaller municipalities" are defined in the statute as incorporated or unincorporated towns, or other political subdivisions of a State, having a population of less than 10,000 inhabitants at the time of the last Federal census. Public Law 87–808 added Indian tribes within the meaning of small communities.

Title II of the Housing Act of 1961 amended the eligibility requirements by establishing maximum population limits. Financial assistance was limited to eligible public agencies having a population of less than 50,000, or less than 150,000 in the case of a community located in a redevelopment area as designated under the second section of section 5(a) of the Area Redevelopment Act. A community of less than 150,000 population in or near which is located a research or development installation of the National Aeronautics and Space Administration was also made eligible by Public Law 87–634, ap-