provide housing for a large family, but the $10,000 fair market value payment may not be sufficient to purchase a replacement home.

The problem is particularly acute when a project places a large number of families in limited housing market at the same time. For example, two future freeways (Century, Industrial) in Watts will require 1100 low income home owners to seek replacement housing which is practically non-existent.

*RECOMMENDATION:* In California, legislation has been drafted at our request which has a potential for solving this problem. The enabling statute would:

1. Authorize expenditure of highway funds to provide exchange housing for *low income families* in *depressed areas* whose homes are acquired during highway construction.
2. Give *low income families* option during negotiations of accepting *exchange housing* or *fair market value.* Court basis for compensation will remain fair market value.

The important feature is that family would be assured of being in "same relative economic ownership position" (i.e. wouldn't be burdened with higher payments or lower equity).

This replacement program is *triggered* by a *finding* of our Highway Commission that the proposed route lies in a depressed area containing a large number of low income families and adequate replacement housing is unavailable (Administrative Regulations will define standards).

The exchange housing would be provided variety of ways: (1) Houses acquired in other right of way transactions will be moved into individual lots or larger parcels purchased by State. Houses would be renovated and landscaping added prior to transfer; (2) New homes will be built or; (3) Existing houses & lots will be purchased (not condemned by State). In all cases, we would transfer ownership to family making up monetary difference so that equity and payments are equivalent to their original home.

Implementation will be accomplished by a special right of way team which will develop an inventory of housing alternatives. *After* these replacement alternatives are available *then* owners will be contacted.

For example, the owner occupant may have a three bedroom house worth $10,000, owe $5,000 and pay $50.00 per month. The ideal would be complete duplication, but under current market conditions this will be difficult. In this instance, the owner might be offered a three bedroom house of equal utility, owe $5,000 payable at $50.00 per month. But, the replacement house may be valued at $12,000 instead of $10,000.

This proposal is unique because it maintains incentive of private ownership, upgrades housing in depressed area, offers workable standards to limit fiscal implication and allows opportunity for cooperation with private sector and community groups.

Approach has potential for use on all public projects. HUD is now looking at idea as solution nationally and may ask to join with us in making Watts a model project.

NATIONAL GOVERNORS' CONFERENCE,
*Washington, D.C., June 6, 1968.*

HON. EDMUND S. MUSKIE,
*Chairman, Subcommittee on Intergovernmental Relations, Committee on Government Operations, U.S. Senate, Old Senate Office Building, Washington, D.C.*

DEAR SENATOR MUSKIE: On May 10, 1968, testimony was presented on behalf of the National Governors' Conference and the Council of State Governments on the Intergovernmental Cooperation Act (S. 698). At that time, it was indicated that additional comments would be forthcoming on the recently proposed amendment to the Act which provided for a new title covering accounting, auditing, and reporting of federal assistance funds. In that regard, it is respectfully requested that this letter expressing our views on the new title be made part of the hearing record on the Intergovernmental Cooperation Act.

While recognizing that federal agencies are charged by Congress with the responsibility of insuring the proper use of grant funds distributed to the states and local governments, we urge that every effort be made to avoid placing undue and time-consuming burdens on state and local administrators.

In the National Association of Budget Officers' report entitled "Federal Grant-In-Aid Requirements Impeding State Administration" it was noted by one state official that some 54 individual fiscal reports were required under the Vocational