

partnership of Federal and non-Federal agencies and institutions—be strengthened and made more effective, enhancing the power and vitality of each member.

The realization of the great social advances envisioned by legislation enacted by Congress in recent years is dependent upon effective administration at the State and local as well as the Federal government level. The national interest requires both the effective administration of programs supported by Federal funds and the strengthening of State and local governments. Expanding State and local services, shortages of personnel, and administrative and fiscal problems all point to the need for development with the States and localities of ways of meeting these problems.

Creating a healthier, more vital partnership will require improved coordination of programs at the Federal level; greatly improved communications among State, local and Federal governments; better coordination of programs at the local level; community and regional planning that rises above fragmented political jurisdictions, and new forms of intergovernmental cooperation. Finally, the basic processes of State and local governments must be strengthened through better planning and financing procedures.

For these reasons I strongly support the objectives of both S. 698 and S. 2981. In the report which I am submitting to the Committee each of the titles of S. 698 is discussed in detail and we have previously submitted a report on S. 2981. I would like to confine my remarks to the provisions of these two bills that are of the greatest interest to the Department of Health, Education, and Welfare.

TITLE II—IMPROVED ADMINISTRATION OF GRANTS-IN-AID TO THE STATES

First, I would like to discuss title II of S. 698. When I testified on S. 561, I expressed doubts about abandoning clear identification of responsibility and accountability for grant programs which any weakening of the single State agency concept might entail. I recognize that new problems have been developing. Many programs require multiagency and multidisciplinary approaches to accomplish multiple goals and to obtain effective management. I am also aware of the varying administrative needs and capabilities of the States. For these reasons, I am in favor of the single State agency waiver authority in title II.

The fact that an agency is designated as the single State agency however does not exclude use by it of other State agencies. In fact, we encourage utilization by the designated agency of the resources and services of other State agencies, and we have required cooperative planning and working relationships in a number of programs—for example, in the planning of facilities for mental retardation programs.

I would also like to mention a significant trend among the States. This is the creation of a combined State Department of Health and Welfare. Ten jurisdictions now have such departments. The creation of these combined Health and Welfare Departments, I believe, is a recognition of the interrelationships of the problems of health, income, and services and a realization of the necessity to better coordinate the services in these fields. This trend among the States is further recognition of the need for better coordination and administration of Federally assisted programs at the State level.

Our Department has recently advised grantee organizations, including State and local governments, of the need to improve methods for managing funds under the letter of credit procedure. We have recognized the incentive to better cash flow management by the prohibition on the earning of interest on Federal funds. Consequently, we believe it would be undesirable to adopt a provision which relieves States of accountability for interest earned on grant-in-aid funds.

Accordingly, after a careful review of experience and trends, we strongly favor the enactment of title II with the exception of the provision on earning of interest.

TITLE IV—COORDINATED INTERGOVERNMENTAL POLICY AND ADMINISTRATION OF GRANTS FOR URBAN DEVELOPMENT

The need for improved interdepartmental coordination is a particularly important concern for the Department of Health, Education, and Welfare with its 149 Federal assistance programs, which often must be related to programs or activities of other Federal departments for efficient State and local administration.