stration Cities and Metropolitan Development Act of 1966 and the community development training program authorized under title VIII of the Housing Act of 1964. In both of these, maximum discretion has been given to the Governor for designation of appropriate State agencies to carry out the programs. In addition, several elements of the section 701 planning assistance program involve grants to the States. There too, particularly in connection with the program of assistance to State planning, we have taken advantage of the administrative leeway permitted under the law in order to assure the involvement and support of the governors.

We also favor the provisions of title III which authorize Federal agencies to provide specialized and technical services to State and local governments on a reimbursable basis. It is premature to identify the specific HUD services that will be called for by the States and localities. They might, for example, utilize aid in connection with certain of our specialized market housing analysis activities or ask us to provide specialized training services as the Department's training capacity becomes further developed.

The Department is in full accord with the objectives of title IV to achieve a more coordinated intergovernmental policy in the administration of Federal urban development programs.

The Department's model cities program has a special pertinence to the objectives of title IV since the very essence of the program is an attempt to bring about the most effective and economical coordination of Federal, State, and local governmental efforts and private efforts to improve model neighborhoods. The program is an experiment in bringing together old programs and new so that they may be focused on the physical and social needs of the area. It involves a multiple funding approach which uses separate established programs; but it also provides supplementary funds to bridge the gaps between existing programs and to permit new and experimental approaches.

In the model cities program, the mayor and his model city agency staff are charged with developing comprehensive, coordinated neighborhood programs and with obtaining widespread participation of neighborhood residents in program planning and execution. For this purpose, Federal programs cannot bypass the city government, and there must be assurance that independent local agencies will not work separately, or at cross purposes with each other. For the model city program to succeed, local activities, though funded from separate sources, must be responsive to an overall strategy for solving the neighborhood's basic problems.

In meeting the challenge presented by the need for comprehensive and coordinated model city activities, local officials have raised hard questions as to the ability and willingness of the Federal Government to respond in a correspondingly coordinated manner. Doubt has been expressed as to the commitment of the Federal Government to change its old and established ways of doing business. They ask whether the Federal Government will provide adequate funds in a timely manner; will provide adequate technical assistance; and whether Federal procedural requirements will be streamlined both in planning and execution stages.

We recognize the problems and share the concerns expressed by local officials. They are very real. We are now actively engaged

with other Federal departments and agencies in making the changes which are necessary to provide a coordinated Federal response.

I would also like to take this opportunity to describe briefly several efforts that the Department currently has underway in support of more coordinated policy and administration of grants for urban development.

The Council of State Governments is currently working on a major HUD research project aimed at strengthening the role of State governments in the administration of federally assisted grant-in-aid programs. The purpose of the project is to provide better links between comprehensive planning and the functional State plans required by many Federal grant programs. Over 80 Federal grant programs currently require the States to prepare a plan as a condition of receipt of aid. The study should lead to more consistent Federal planning requirements and strengthen the role of the Governor in the administration of State programs.

The Department has recently established an interagency committee to examine federally supported State technical assistance programs for helping localities in all aspects of community development. This committee is composed of representatives from OEO, EDA, HEW, Agriculture, Transportation, and Labor. It is assessing the impact of federally supported technical assistance programs on State administrative structure and ways of coordinating the funding, coverage, and administration of these Federal aids. The study will identify specific instances in which improved coordination might enhance the effectiveness of federally supported State-local technical services, propose improvements in interagency review of proposed activities, and help reduce duplication of grant coverage and approval.

Another recent effort by the Department to improve HUD relations with States and localities was the further decentralization of Departmental operations and a reduction in time for processing grant applications. This was done in line with the recommendations of the Joint Administrative Task Force established by the President and chaired by our Assistant Secretary for Administration, Dwight Ink.

In addition, in order to better assist States and localities, we hope to establish a staff in each HUD regional office to coordinate and unify HUD program relationships at the State and local level. They will assist the Regional Administrator in serving as liaison among States and localities on matters involving more than one program or requiring Departmental level participation and coordination. This should contribtue to a more coordinated policy and a better mix of programs for improved urban development.

We recognize the desirability of assuring that there be periodic congressional review of new Federal grant programs, as provided for in title V. It is important after a reasonable time to examine grant-in-aid legislation in order to be satisfied that the authority and funding provided is appropriate and adequate to current needs. We endorse, however, the views of the Bureau of the Budget concerning the disadvantages of a fixed 5-year termination date for grant programs as compared with more flexible provision for review.

Title VI of the bill would authorize the President to follow a procedure based on the Reorganization Act of 1949 in proposing the consolidation of grant-in-aid programs. There is undoubtedly a continual need to focus the attention of the Congress and the executive branch on opportunities for combining related grant programs, especially those that are too narrowly defined.

The finest example we have in recent years of consolidating grants to form a more flexible and effective grant program is the Partnership for Health Act. This act consolidated upwards of some 15 small and specific categorical health programs into a single authorization, appropriation and set of requirements. Under it, each State now has maximum discretion in providing health services in the light of its own special needs. It may be instructive, however, that this major reform was accomplished through the conventional legislative route. This route was also followed with the somewhat more limited, but potentially significant consolidation in last year's economic opportunity amendments of a number of federally assisted work and training programs.

We are not certain that title VI as drafted adequately deals with the problem. The language authorizes modifications of grant-in-aid formulas but does not deal with related matters of consolidated grant administration, such as eligibility to receive funds, planning requirements or program coverage. We therefore defer to the Bureau of the Budget on the approach taken in this title.

I am glad to report that earlier this month the Department of Housing and Urban Development took action to consolidate the administration of three of its programs designed to bring about a positive commitment by the States to the urban development problems of communities, and to strengthen the management capability of State and local governments. This reorganization brings the urban information and State technical assistance program and the community development training program under one roof with the long established section 701 planning assistance program. These three closely linked programs of technical assistance, training and planning are now consolidated administratively under our Assistant Secretary for Metropolitan Development. We are already working on a number of steps that will permit us to translate this Federal administrative action into improved and simplified procedures. One of these, as Governor Connally indicated in his testimony for the National Governors Conference and the Council of State Governments, is a single application covering State aids under the three programs.

The provisions of title VII are designed to assure that the Federal Government, in its real property acquisition and disposition procedures, takes account of local land use controls and planning objectives. We are, of course, in basic agreement with this objective.

It is, however, worth noting that from an urban development standpoint, the significance of this title is necessarily dependent upon the quality of the local land use controls and planning. And in connection with disposition activities particularly, the most notable area for intergovernmental cooperation may extend well beyond the minimum standards of this title—and involve, not conformity of land disposition to current local regulations and objectives, but the establishment by the locality of new regulations and objectives that will enable Federal surplus land to be used in new and imaginative ways.

As you may know, the President last year announced a national demonstration program centered upon creation of complete communities or neighborhoods on Federal surplus land in urban areas. This program has now progressed through its preliminary phases, and responsibility for its continuing development is centered in the Department of Housing and Urban Development. Several sites in various areas have been identified, with three, in the District of Columbia, Atlanta and San Antonio already announced. Planning efforts are well under way for future development of areas that will not only enlarge housing choices but include a full range of uses—shopping, education, recreation, and other community facilities and public services for citizens of various income levels.

This program of Federal excess land for critical urban needs depends on securing maximum involvement of private enterprise and also requires cooperation among a number of Federal agencies. A creative and imaginative response on the part of local governments is a third essential—a local response that measures up to the unique opportunity for rapid, high quality and relatively low-cost development which the availability of surplus land may represent in communities where land is scarce in relation to urgent urban needs.

While the demonstration program has so far centered upon relatively large sites, the basic approach and concepts involved can also be applied to smaller tracts. These may be particularly useful, for example, for relocation housing or low- and moderate-income housing. But, again, the local governments must be prepared to seize the opportunity and, if necessary, to adjust their own plans and objectives accordingly.

Thus, while I accept in broad principle the provisions of title VII, I would urge that the resulting legislation or the pertinent committee report specifically state that these provisions are in no way supportive of unduly restrictive land use controls.

Title VIII, which would establish a uniform relocation assistance policy for Federal and federally assisted programs, embraces a philosophy which we have consistently advocated over the years. Although relocation assistance has often been inadequate, we take considerable pride in the role that our housing and urban development programs have played in pioneering the concept of governmental responsibility for families and businesses displaced in the course of carrying out public acquisition programs. From its inception some 19 years ago, the urban renewal program required that there be decent housing available for displaced families, and this was later supplemented with a system of payments to families, individuals, businesses, and nonprofit organizations to cover moving costs and certain other relocation expenses. These requirements were also made applicable to other programs of the Department.

In many ways title VIII is an outgrowth of our experience and recognizes the appropriateness of extending these benefits to other Federal and federally assisted programs. Although HUD programs are covered by such legislation, many other Federal programs are not covered by adequate relocation requirements, and there are substantial differences in the requirements which do exist. It is our belief that legislation such as is contained in title VIII should be enacted as soon as possible, so that those who are required to move from their home or

place of business as a result of a federally financed public activity can be assured that they will be compensated adequately for the expenses and losses incurred as a result of the move. It is of equal importance that they not be forced to move from their homes unless there is adequate provision to assure them of appropriate housing elsewhere. Passage of this legislation is needed to eliminate the serious inequities which prevail today.

In the area of relocation payments, this legislation is an important milestone in the creative Federal approach to urban problems. There are some items of compensation which are new to HUD programs. For example, one is the proposal for payment of expenses in searching for replacement farm property, which the administration would extend to other properties. Another is the proposal to contribute toward the cost of substitute personal property up to an amount measured by the moving expenses that would have been incurred if a business or farm operation had not disposed of personal property. Just as there are items which are new to us, there are features in title VIII which represent departures for other Federal departments and agencies. The complexities of administering a program of relocation payments and services are extensive, and I pledge our full resources and accumulated experience in achieving the uniform and effective administration that is contemplated.

The Deputy Director of the Bureau of the Budget in his recent testimony before the subcommittee provided detailed comments and recommendations concerning the provisions of title VIII. These comments and recommendations were developed in close consultation with interested departments and agencies. My remarks, therefore, will merely serve to underscore and supplement the Budget Bureau testimony.

One of the greatest concerns of the Department has been the very real hardship often suffered by lower income homeowners who are displaced as a result of federally assisted acquisition activities. Frequently, these homeowners, many of whom are elderly or with limited resources, are unable, with the amount that they were paid for their previous home, to buy another home which is of the same approximate size and similarly located with respect to employment, shopping, and transportation. When the value of the home which is taken is inadequate to afford a decent, suitable replacement, the practical consequence of the displacement has been a loss of homeownership. A payment, in such cases, of not to exceed $5,000 as proposed by the Bureau of the Budget will help fill the gap for many displaced homeowners. We give this proposal our strongest endorsement.

The provision in section 802(*b*) to give a displaced business the option of receiving an amount equal to its average annual net earnings up to $5,000 appears to confuse the concept of a fixed relocation payment—designed to simplify the burdens of administration—with the small business displacement payment presently provided in HUD programs. These concepts should be separated in the manner suggested by the Bureau of the Budget—one payment for actual moving expenses and another for economic readjustment.

We fully endorse the objectives of title IX to establish a uniform policy for the land acquisition practices of all Federal and federally assisted programs. The development programs in our Department

have been governed by uniform policies for land acquisition since the enactment of title IV of the Housing Act of 1965 in August of that year. We are pleased to endorse their extension to all of the land acquisition programs of the Government.

Section 905 of the title sets forth the land acquisition policies that State agencies will be required to follow as a condition of Federal financial assistance for the acquisition of real property or the provision of a public improvement. The requirement that an owner of real property be offered a fair and reasonable price before commencement of negotiations was adopted in February of this year for the low-rent public housing program, the title I urban renewal program, and other programs of the Department. We believe that an offer of the full fair value for property to be acquired is necessary to protect the unsophisticated and the poorly informed, who should not be required to contend with unduly hard bargaining by agents for a public body. Indeed, we believe that a policy of offering fair value is necessary to discharge the governmental obligation to see that all owners of real property are treated fairly and impartially before their property is taken for a public use or purpose. While this policy represents a marked departure from past governmental practice, we believe that it represents a necessary reform, and our limited experience to date indicates that it is working well. I should point out that we regard this as a fair-price policy, but not a hard and fast one-price policy, since it is possible to have negotiations as to price, centered upon factors that may have been overlooked by the public body in arriving at what it believes to be a fair and reasonable consideration for the property.

Section 905(*b*)(2) provides that the State agency will, in determining the amount of compensation for the property, disregard any decrease in the value of real property prior to the date of valuation if the decrease is caused by the public improvement and is not due to physical deterioration within the reasonable control of the owner. We believe that it is generally fair and equitable to ignore any decrease in the value of the property that is caused by the public improvement or the likelihood that the property is to be acquired for the improvement.

We agree with the recommendation of the Bureau of the Budget, that the effective date of the land acquisition practices required under section 905(*b*) should be deferred to a date 3 years after enactment, in lieu of the January 1, 1970, date contained in the bill. The additional leadtime will not only permit States and municipalities sufficient time to make changes in their laws, but also to determine whether to apply these policies to other land acquisition programs and to make the necessary adjustments in present procedures and practices so that the new system will work well from the time it is initiated. As recommended by the Bureau of the Budget, the effective date of section 906, which repeals the present HUD land acquisition policies, should be similarly postponed.

I would also like to mention an expense item which is presently compensable under our programs but which is not covered under this legislative proposal. The part of the title that deals with federally assisted programs contains no provision, such as is found in section 904 in the case of Federal programs to cover expenditures incidental to the transfer of property to the acquiring agency. These would include record-

ing fees, mortgage prepayment penalties, and similar expenses. We believe it would be appropriate to extend this coverage to federally assisted programs.

In conclusion, Mr. Chairman, I want to state that the Department of Housing and Urban Development believes that the objectives of the Intergovernmental Cooperation Act are most meritorious. Enactment of this legislation will make a positive contribution in the effort to coordinate Federal assistance with State and local programs and goals. I especially want to stress the importance of its early enactment.

Senator MUSKIE. Thank you very much, Mr. Secretary for your excellent statement.

With respect to the relocation title, last week, in testimony which we received and to which I have already referred this morning, a number of suggestions were made. I think it would be helpful to the committee if we can get the comments of your Department upon those suggestions. I will ask the staff to give the appropriate people an opportunity to review that testimony. I think we ought to be sympathetic and responsive to the recommendations.

Secretary WEAVER. Let me say, Mr. Chairman, that my own feeling, and I have attempted to express it not only in words but in deeds, since in most instances, it happens to be the poor and the disadvantaged that are the most subject to displacement and relocation, often for improvements which benefit other elements in the population, that this displacement should extract the minimum psychological and economic costs from the people who are inconvenienced and sometimes incapacitated to restore themselves to their former states. This is the philosophy that I have.

Senator MUSKIE. I think there is another very practical political consideration to be served here. These people are here to present their problems and their grievances. This is legislation we have been considering for 2 or 3 years. So here is an opportunity for us to respond in a constructive way that is the product of long deliberation. I think we ought to welcome that opportunity.

Let's turn to the suggestion on page 14 of your testimony about the land acquisition provisions of this bill. By deferring for 3 years for persons who might be treated inequitably by the adoption of a policy in which we assured greater equity for those persons after 3 years, are we creating second-class citizenship for those who fall in the 3-year period?

Secretary WEAVER. This recommendation is really a technical one given me by Counsel in the light of difficulties in changing State constitutions and getting State action. The reason for this is purely pragmatic, based on the fact that sometimes the legislatures do not meet every year, sometimes the process of constitutional changes is time consuming. This is the only reason it has been proposed.

Senator MUSKIE. So is that recommendation really keyed to the Bureau of the Budget's recommendation that the costs of these programs be shared?

Secretary WEAVER. No; I do not think this has anything to do with that.

Senator MUSKIE. I am sorry, I was thinking of the other one.

Secretary WEAVER. That is the other; yes.

Senator MUSKIE. I guess we have not focused on this recommendation enough to ask any intelligent questions. We will look at the recommendation more carefully and submit any questions we may have as a result of that to you.

You have referred to the fact in your testimony covering the model cities program that HUD and other agencies are undertaking to coordinate requirements and procedures. Now, our understanding is that the cities are having trouble in coordinating their activities, because the Federal agencies are not working together as they should. I know I got this complaint in Connecticut the other day, from someone in the audience. Although my speech was not on this subject, the point was brought up that the model cities program is not really leaving initiative to the local community and that Federal agencies were making it difficult to achieve coordination at the local level and to exercise initiative. I wondered, Mr. Secretary, if you could tell us specifically what HUD is doing to coordinate Federal programs and to deal with difficulties that the cities say they are encountering in this connection.

Secretary WEAVER. I think that probably Assistant Secretary Taylor, under whose jurisdiction the administration of model cities would be, could give a more detailed statement than I could.

Senator MUSKIE. It might be very helpful in connection with the present business on the floor.

Mr. TAYLOR. Senator, we were aware of this problem and this danger from the beginning. We recognized at the time we started this program that there would be an urgent need for the Federal agencies to deliver a coordinated response to the coordinated planning and problem identification that we were requiiring of the cities.

We have been working on this at several levels.

First of all, we are operating the model cities program as a Federal agency—an interagency program—with teams of Federal regional people reviewing applications, visiting the communities, working together with the cities.

We are convinced, both from our experience and the experience of the cities, that this is not enough. We are now engaged largely at the Washington level although recently we have moved it through the interagency process to the regional level for recommendations as to how it is to be done in a process which we think will answer the real problems that the cities are identifying. We are asking the Federal agencies to provide a different kind of technical assistance and develop a new relationship, not only with the city governments, but with the model city structures, including the citizen structures, so as to help the communities identify the range of possibilitiies that the Federal programs offer.

To make their planning meaningful and significant, we are asking the Federal agencies to earmark or allocate funds so that as objectives are identified, we can say to the cities in the interagency process, yes, there is money available for this or, no, you had better wait a year on that. We do not want to encourage planning to which we are not capable of responding, for fiscal or other reasons.

This new approach on technical assistance, backed by earmarking and allocations, is a different way of operating than Federal programs historically have. Since close to a hundred Federal programs operate through State funding mechanisms, we are asking the States to partic-

ipate in what will be a Federal-State resource team effort with local government. We have the support of the executive branch in this effort. We are discussing it with the other Federal agencies, as the Secretary indicates in the testimony. We believe we can make it work. We know that we have to make it work or the program will not succeed.

Senator MUSKIE. Is it your guess that the criticism that the cities are not really allowed to exercise their initiative has resulted from rigidities built into established programs and leading to the Federal-State joint funding situation?

Mr. TAYLOR. I am surprised at that comment coming out of Connecticut, sir, knowing the state of planning at this time.

Senator MUSKIE. This was in the Hartford area.

Mr. TAYLOR. They have other problems up there. I do not believe that it is the result of program rigidity. I believe that it primarily results from the desire of some of the cities to move forward immediately with program impact, rather than responsive to what we believe is the major objective of this program, to take a hard look at basic causes and make sure that the projects fit into a strategy. There is that dichotomy locally.

But we recognize that the Federal programs will have to be flexible. We strongly support the consolidation efforts and the other elements in your proposed bill, because it will encourage flexibility, it will encourage the maximum local ability to use, as you described in your comments, the block grant approach to programs and problems. We think we have to move in that direction.

I do not believe that there has been the kind of rigidity of which they complained in Connecticut, but I also do not believe that there has been the kind of positive help, information, willingness to be flexible, backed by earmarking, that the program will need.

Senator MUSKIE. May I point to something else that may be involved and a problem that perhaps you might not even be aware of. I think there is a tendency—it is human nature more than anything else—on the part of some public officials to assume that the Government knows better and that the quality of efficiency in programing on the local level may be inadequate. As a result they may have a tendency to assert themselves a little more strongly because of this into the planning process or the policymaking process in a way that suggests to the American people that there is a Federal domination.

To what extent have you been able to observe this? Is that the effect?

Mr. TAYLOR. I agree with your comment that it is endemic to the system. It does exist. Wherever we see it, we try to knock it down. I am exerting as much strong administrative direction on the side of insisting that they recognize the local nature of the planning process as I possibly can. But communication from Washington down to the region to the man who is visiting the city is often less than perfect. We have tried and we will continue to try, Senator.

Senator MUSKIE. I think there is a vote.

Secretary WEAVER. We would be very happy for you to go to vote, sir.

Senator MUSKIE. We will take a brief recess.

(Recess.)

Senator MUSKIE. Mr. Taylor, did you have any additional statement to present to the committee?

Mr. TAYLOR. No.

Senator MUSKIE. The Budget Bureau recommended that the bill be amended to provide that relocation payments should be shared in accordance with the project formula. I do not know whether I should invite you to take issue with the Bureau of the Budget or not. I am going to create the opportunity.

I think it is a very difficult problem that the Bureau presents here, especially after the testimony of last week. I am very fearful that if we wait for the States to react to that kind of provision in the legislation, there simply will be no relocation programs in the States. How do you react?

Secretary WEAVER. I think I would have to look at this in two ways:

First, rather parochially, for those programs for which I have responsibility where we now have relocation payments, which are the most liberal of those in any other programs in the Federal Government, and where payments are now made 100 percent out of Federal funds—I am told that this was done at the beginning because of constitutional and legal considerations, because it was felt at that time that there might be some impediments of an institutional nature for some of the States to make adequate contributions to these payments. I would certainly feel that unless I were satisfied, and I am not now satisfied, that within this period of transition there were an assurance that payments through this new formula would be made equal to what they now are I would be opposed to the new formula as a person and I would certainly so indicate if I were asked by the Bureau of the Budget. I speak now as an individual, but I think this problem is so pressing and so important that the danger of cutting payments off or of reducing them in this particular period would be tragic. And I could not in good conscience propose that.

Now, we have another problem. That is with the new programs and here, I think you have a different situation. It would probably be appropriate to experiment with the new and see what could be done in this period, because you are not taking anything away; you are giving more anyhow. If it were successful there, then you could adapt our programs to the success in the new approach.

Senator MUSKIE. Well, my reaction to that would be that especially in the highway field, you simply do not have too many States with a favorable power structure, if that is the way to describe it, in those programs. In my State, the highway program is run and served by people who are interested in drawing straight lines with their roads. Of course, in a State like Maine, you can do that with minimum risk of displacing people.

I recall one such straight line that went through a cemetery. Well, that displaced a few people, but I guess they did not care.

But I found no sympathy at all in the highway program with these kinds of problems when I was Governor. Not that they are insensitive to people or not human like anyone else, but this is simply an area to which they have not been exposed, about which they have not been concerned, and with which they have not dealt programwise. The highway programs are creating many of these problems. To expect them to respond is a little unrealistic, especially when you take into account the fact that highways are pretty much built by earmarked funds and those funds are protected jealously by the constituents in these State capitals. To suggest diverting those funds to these social

purposes I think is going to create a little difficulty in many State capitals. That is simply my own viewpoint and it may or may not be shared by members of this committee. But it was to avoid those difficulties, which are not necessarily constitutional or statutory, but human, that we suggested 100 percent Federal funding of those relocation programs. That puts my view on the record.

Did you want to add anything?

Secretary WEAVER. I think my answer is more or less suggested by my earlier remarks. That is I know the 100-percent Federal funding does work. I do not know whether the other will or will not work. Therefore, in the programs for which I am responsible, I would want to keep the 100 percent until the other had been proven to my satisfaction.

Senator MUSKIE. You have gone about as far as I could realistically expect you to go this morning.

I have one other question, but it could be on another subject, and I suggest this might be the point to invite Senator Hansen to ask any questions, either on the relocation amendments or any other portion of the bill. Then we will get back to this.

Senator HANSEN. Thank you, Mr. Chairman.

I am prompted on the spur of the moment to ask a question of you, Mr. Secretary, which is just the converse, I think, of that proposed by the distinguished chairman. In Wyoming, we have relatively little dislocation of people with the construction of new highways because, as most everyone knows, we have a very low population density out there.

But we have this situation. There have emerged and developed along the older roads in Wyoming a number of small businesses.

With the impact that the interstate program has and the review that is afforded Federal administrators on road locations, we have had a number of instances where little towns have been completely bypassed. Obviously, this is the reverse working of relocation in that all the business has just dried up and left the area and a lot of people, for all practical purposes, no longer have any customers.

Would you care to make any observations on how your Department might possibly be interested in the impact that this sort of program has on our problem in Wyoming?

Secretary WEAVER. I must say that our concern to date has been with the reverse side of the coin.

Senator HANSEN. I appreciate that.

Secretary WEAVER. It has been where the highways have rather helter-skelter gone through and dissected and disrupted larger than urban centers.

Senator MUSKIE. May I interject at that point, Mr. Secretary, and add another, I think, kind of situation in the general category of problems that Senator Hansen suggested.

Last week's testimony suggested that in many instances, highways cutting through urban areas do cut off small businesses from their former markets and without actually being displaced themselves, these businesses in a sense have been removed and are not eligible for compensation. So I think even in urban areas, you have problems like this one.

Secretary WEAVER. What we have attempted to do in our own programs with any activity that we have is to make certain compensations. I had the very difficult problem some years ago of what we call the Ma and Pa business; you know, the old couple, may be the candy store. Maybe they only make a couple of thousand dollars a year, maybe they do not make that much. But they cannot pay $5 more rent and they cannot be relocated; they are indigenous to that neighborhood. It presents a tremendous problem, because how do you evaluate what they are worth? They are not worth anything any place else; they are not worth too much where they are. What we did was try to steal something from the labor movement with a dismisal wage, you know, and we had a sort of dismissal cash payment to them. It was from that that evolved this $5,000 we are talking about for people who are displaced with homeownership.

I think that it is that type of thing that we have to develop, each situation requiring a different type of tool to minimize injustice because there is the other side of the picture. That is that you just cannot look at this as an inexhaustible fund which can just be spent without any regard to the economic factors in it. While you have to be concerned with the human, you also have to have some type of administratively feasible approach. This is what we did in that particular instance.

Senator MUSKIE. May I ask this?

Are those cases of actual physical displacement or do they fall in the category which Senator Hansen suggested?

Secretary WEAVER. No, these are people who are put out of business because of urban renewal or because of HUD housing.

Senator MUSKIE. Their property is actually psysically taken?

Secretary WEAVER. Well, the property usually is not their's, but the property which they lease or rent is actually physically taken. It is not bypassed.

When you get to the problem of bypass, I must say I thought my problems were difficult enough, but I find this one is even more difficult than anything I have dealt with. It has been impossible, even dealing with these I have been familiar with, to give answers off the top of my head. I certainly do not know the answer to this one.

Senator MUSKIE. Have you had a situation in urban renewal projects like the one cutting off the business from the highway; that business is not taken, not subject, not eligible, but located near the slum housing and the substandard residential areas which are taken. What do you do with that kind of thing?

Secretary WEAVER. The classic example of that is a store, let us say in New York City, which I know fairly well, which specializes in Puerto Rican foods and specializes, particularly in a market that is practically a 100 percent Puerto Rican market. You have an area there torn out by an improvement and the Puerto Rican population is materially reduced. That store has a problem and there are no provisions that I know anywhere in any law that meets that problem. I suppose the answer to that is that there is a point where anybody who is in business has to take certain risks and they are risks of changes which come. The question is first in dealing with those risks that are definitely and directly indentifiable before you get to the fringe ones.

I do not think we have the direct ones handled properly yet, and I think we ought to concentrate on the direct ones, first, and then go, if we want to, to the fringe ones afterwards.

Senator HANSEN. Thank you, Mr. Chairman. I know you have another question or two, but perhaps I should go ahead.

Senator MUSKIE. Go ahead. Mine is on a different subject.

Senator HANSEN. I think there has been some testimony indicating that there is concern, reasonable concern among people who see your Department going in with an urban renewal project and running the risk of the Department of Transportation deciding at a later date that it needs a road right through the section where you have built some new homes.

What sort of liaison or cooperation is there between your Department and the Department of Transportation to obviate this sort of possibility?

Secretary WEAVER. We are now in the process of drawing up a detailed memorandum of understanding between DOT and HUD which will delineate very, very carefully what our responsibilities are in planning and how those responsibilities will be coordinated with their activities. I think that out of this will come an effective tool to prevent this sort of situation. I say that because I know that Secretary Boyd is as concerned about that as you or I. We have talked about it at great length, and I believe we are going to be able to work out machinery which will get the two departments in a structure which will minimize, if not completely avoid, that type of thing.

Mr. TAYLOR. We have identified highway plans in 22 of the 75

Senator MUSKIE. Yes.

Mr. TAYLOR. We have identified highway plans and 22 of the 75 model neighborhoods. Mr. Bridwell, the Commissioner of the Bureau of Public Roads, and I and our staffs are working together, not only to avoid the kind of problem covered by the Secretary, but also in other specific kinds of things.

For example, in North Nashville, we expressed to Mr. Bridwell the concern of the model neighborhood structure, the citizens participation structure, as to the impact of a highway on North Nashville. This was a highway where the property was acquired before the model neighborhood was designated. But the final planning for the construction was still a little open, and he more than doubled the number of access points between the halves of the neighborhood so that the road did not have the impact of being as cruel a barrier as it was originally proposed.

I think by working together, we can soften the point of view of the engineers and bring to bear HUD's concern with the social, the economic, and the people factors.

Senator HANSEN. I have one further question that I think is perhaps associated with the other two.

What is done when an urban renewal project is undertaken and a substantial amount of substandard housing is to be torn down and razed? What does your Department do to see that those persons whose dwellings are to be removed find adequate or at least temporary housing until the new housing that will be brought into being becomes available?

Secretary WEAVER. We have in the statute and in our regulations now in practice a relocation policy and program. I think we are somewhat unique in this, in that we first require, as soon as that project gets into planning—and this is a new requirement—that there be established a center whereby the people who are going to be displaced are informed first of what their rights are under the law—and the law requires that they have access to safe, decent, and sanitary housing; secondly, that this center will give them assistance in finding such housing.

Then we require that the city come up first with a plan for relocation and secondly, we check on the performance of this—not as minutely as we would like, but within the limitation of what personnel we have. If there are complaints either by individuals, by community groups, or others, we then move into the city and work with the local people in order to correct the problems. In instances, I have actually stopped the carrying out of projects because the relocation was inadequate.

But we do have these requirements and we are enforcing them, I think, to a much higher degree than before. I would say that certainly eight out of 10 of the people who are displaced by urban renewal do move into safe, decent, and sanitary housing and we know where they are.

Now, there are a certain number who move out before we can get to them. That number is being reduced. Those we do not know, but we do go back and try to find them. Often, these are people who do not have local roots, and it is awfully hard to find them once they have gotten away. But this is what we do.

Senator HANSEN. What is the situation with regard to rights-of-way for highway building? Does the Department of Transportation evidence a like concern and interest in adequate, suitable housing for those persons who will be displaced by the highway construction program?

Secretary WEAVER. Well, let me say that Secretary Boyd, I think, certainly this is his concern. However, his legislation is not as effective as is our legislation.

As I understand the situation, and the Deputy General Counsel will have to check me, the highway law does not require relocation. It simply says that Federal funds can be used for relocation. So this leaves it up to the States to determine whether or not and to what degree it is going to be done. This is not uniform, nor are their provisions as high as ours. But more important, it is not uniform and it is left up to a group which sometimes is more concerned with getting from here to there than what happens in the process.

Senator HANSEN. Thank you.

Senator MUSKIE. I have a number of questions which we would like to submit. Several could lead to extended discussion, but I am afraid we just do not have the time, so I shall submit them.

I shall confine myself to one final question. I see you have John Frantz with you. I would like to have him testify on one point. This is the proposal by the administration to provide authority to the Federal departments and agencies to enter into agreements among themselves for the joint handling of various Federal aids related to a single local project. In a letter of March 27 to the chairman of the full

committee, you endorsed the bill, saying that it would encourage needed cooperation in program development at the State and local level and help improve coordination among Federal programs and make them more responsive to State and local needs and assist in eliminating unnecessary administrative burdens and paperwork. Your department has many programs in which the techniques and procedures set out in this bill might be applicable. I wonder if you could give us some examples of the way in which specifically this bill, if enacted, would help achieve the objectives you have noted. I would like, if possible, for you to relate your answer to the model cities program and the neighborhood center program.

Mr. FRANTZ. Yes, sir.

Senator, as I think we tried to indicate in our reply, the Department has been working administratively to attempt to achieve results that are along the lines of the proposed bill. The model cities program is perhaps the most directly in-point case, because a model cities project may involve undertakings in which a considerable number of Federal departments and agencies may have an interest, either direct or indirect, and may have funds involved, either in large or small amounts, in an undertaking which the model cities law contemplates should be packaged and should be related to a planned set of local objectives. That requires the kinds of work between the departments, both at the Federal level and at the regional level, and ultimately at the city level, that Assistant Secretary Taylor was describing.

Now, in connection with the neighborhood facilities program HUD is primarily concerned in making grants for a physical structure to be located in the neighborhood. But of course, the purpose of the structure is to serve the people of the neighborhood, and in terms of size and in terms of physical design and in terms of location, it has to be considered in terms of the social service programs which are supported by other departments and agencies. So, again it has the aspects of being a joint venture.

Now, I think that we have achieved a moderate degree of success in working both at the local level and at the Federal level in developing cooperative relationships for timing funding, for timing contractual relationships, for working out, let us say, a joint audit program so that there is a single audit made rather than a whole series of disconnected audits. And this, as I say, can be done to a degree administratively.

We do feel that the enactment of this legislation would show a congressional interest and a congressional sanction which would provide both a push at the Government level and an invitation at the local level, to work along these lines and to develop systems that would be easier for both them and us.

Senator MUSKIE. Really, this bill, like some provisions in S. 698, is aiming at the block grant idea eventually.

Mr. FRANTZ. It moves in that direction, certainly, yes, sir, although the provisions of the bill, as you know——

Senator MUSKIE. Would not carry you that far.

Mr. FRANTZ. They do not carry it that far, that is right. They retain a capability to track the dollars back to a categorical grant purpose in the originating legislation.

Senator MUSKIE. Thank you very much.

Senator Hansen may have some questions to submit which he would like you to answer.

We are pushing a little bit, because time is running out, Mr. Secretary. You know your appearance here always stimulates a lot of thoughts and questions which we would like to discuss, but we have to cut off at some point.

Thank you.

Secretary WEAVER. Thank you, Mr. Chairman.

(The material previously referred to follows:)

RESPONSE TO QUESTIONS SUBMITTED BY SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS OF THE COMMITTEE ON GOVERNMENT OPERATIONS OF THE U.S. SENATE ON S. 698

I. RELOCATION ASSISTANCE IN PLANNING STAGE OF PROJECT

Present law and the provisions of S. 698 provide for relocation payments and assistance beginning only when an agreement has been reached between either Federal Government and the locality to proceed with a project. As far as I know, no assistance is available during the planning stages that precede such as agreement. Yet this is the period when displacement begins under the threat of compulsory removal when the project is actually undertaken.

In urban renewal, for example, survey and planning may continue for many months in an area that has been designated for eventual renewal. During this period, property values decline, business concerns lose patronage, tenants drift away, and living conditions deteriorate.

Questions

(1) Can you suggest ways in which the problems of residents and business firms in such an area could be eased during the period before relocation assistance becomes obligatory under existing law or this proposed new legislation?

Under the provisions of S. 698 and existing HUD programs, relocation payments and relocation assistance is provided to those who are displaced as a result of the acquisition or reasonable expectation of acquisition of real property by a State agency in connection with a federally assisted project. There are two elements which have to be present—there must be an acquisition or reasonable expectation of acquisition of real property by the agency, and there must be a federally assisted project. Under the urban renewal program, for example, relocation payments may be made with respect to a person who moves from the site on or after the date of execution of the Federal loan and grant contract or the date of HUD concurrence in the commencement of project execution activity if that occurs earlier. Thus, relocation payments can be made as soon as there is Federal approval to proceed with acquisition in the urban renewal project.

This Department is aware of the problems concerning residents and businesses located in proposed urban renewal areas. We have attempted to ease the situation by encouraging local public agencies to establish information and counseling programs as early as possible during the survey and planning stage. If residents and businesses are made aware of all the pertinent facts—that the urban renewal project is still in the proposal stage, that they will be eligible for relocation payments and assistance if the project is approved by the Federal Government, and that they will not be required to move for many months or several years—the problem of premature moves from the site and the resultant loss in income of property owners and businesses can be eased considerably.

The problems faced by residents and businesses during the planning phase would be substantially alleviated under the "Neighborhood Development Program" concept contained in section 501 of the proposed Housing and Urban Development Act of 1968, S. 3497, recently passed by the Senate. A Neighborhood Development Program would consist of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. A key element of the Program is its focus on the staging and timing of activities in order to achieve systematic accomplishments. Under this system, there need to be no real lag between the decision that an area is in serious physical condition and the beginning of actual activities to correct these conditions. Under this approach, detailed planning and scheduling would proceed along with actual development in the urban renewal area.

(2) For example, would it help to require that a continuous relocation assistance service be established as a part of the official plan of action of the community, as part of its Workable Program, to have responsibility for aiding persons displaced by any project financed, in whole or in part, by public funds?

The Workable Program, which is a prerequisite for such HUD programs as urban renewal and public housing, now requires that communities have an adequate program for the relocation of families displaced by governmental action of all types. Our program guides stress the desirability of establishing a city-wide relocation agency with full responsibility for planning and implementing the relocation program in the community, particularly where a large volume of displacement by various projects and activities is involved. The extension of relocation payments and assistance to other Federal programs contemplated under S. 698, would substantially increase the capability of communities to establish such city-wide relocation assistance programs on a continuing basis.

Although we recognize the benefits which many communities would derive from the establishment of a continuous relocation assistance service, we do not believe that this should be made a mandatory requirement for all communities. In many communities the scope of governmental displacements would not warrant service on a continuous basis. Moreover, we do not think that the Workable Program is the appropriate vehicle for implementing such a requirement, since it is only a prerequisite for certain HUD-assisted programs and is not required in the case of other federally assisted programs. If it is desired to require services on a continuous basis, we believe this could be handled more appropriately in connection with the rules and regulations which are to be issued by the President.

(3) Could not such a relocation service be the means of concentrating available social services on the needs of the families and individuals of the area who face dislocation as a result of an impending public project?

Such a relocation service would facilitate the concentration of available social services on the needs of displaced families and individuals. It should be noted, in this connection, that policies developed under the urban renewal program require that those displaced be referred to appropriate public and private voluntary agencies equipped to provide services and counseling on matters of health, employment, training, and similar problems. In addition, local public agencies are encouraged to make site office space available to these agencies, to assist in coordinating the services, and to make the services and counseling conveniently available to the persons affected. Our Workable Program guides encourage communities to establish referral services as an integral part of their relocation assistance programs.

II. TEMPORARY RELOCATION HOUSING

It is provided in Sec. 105(c) of the Housing Act of 1949 that to obtain Federal assistance for urban renewal, a local public agency must agree to provide "a feasible method for the temporary relocation of families and individuals displaced from the property acquired."

Questions

(1) What has been your Department's experience with this provision?

Since enactment of the Housing Act of 1949, local public agencies have been required to provide a program for the *permanent* relocation of families and individuals displaced from the property acquired. It has been the policy of the Department to discourage the use of temporary relocation housing except for the following circumstances: to assure that families and individuals are not required to remain in structures which inadequately protect health and safety; to permit project activities to proceed before permanent relocation housing is available; and to provide housing on a temporary basis while permanent relocation housing is being constructed in a project area.

(2) To what extent do local public agencies provide temporary housing?

See our response to question #1 above.

(3) What kinds of housing are made use of for this purpose?

Most temporary relocation housing has consisted of units in the urban renewal project areas which have been vacated. Available vacant units may be occupied on a temporary basis until demolition or rehabilitation is undertaken. In such case local public agencies are required to maintain plumbing, heating, and electrical systems in safe operating condition, and to make such repairs as are needed to make the units habitable during the period of

temporary occupancy. As noted in the question which follows, the Department recently issued new policies and procedures under which local agencies may purchase or lease mobile homes for the temporary relocation of displaces.

(4) I note that only last month your Department announced a new policy permitting the use of mobile homes as temporary housing facilities. Have mobile homes not been used for this purpose prior to this time?

The Department had not heretofore authorized the use of mobile homes for temporary relocation, although they have been used for this purpose in connection with disasters.

(5) Would use of this kind of temporary housing making more feasible the relocation in one urban renewal area of the same families that were displaced from that area?

The use of mobile homes as temporary relocation housing would facilitate relocation in an urban renewal area of the same families that were displaced from that area. This is one of the principal reasons for issuing the new policy. The use of mobile homes permits families to remain on or near the site while housing for their permanent use is being constructed or rehabilitated.

III. PRIOR AVAILABILITY OF RELOCATION HOUSING

In 1965 the Housing Act of 1949 was amended by the following addition to Sec. 105(c):

"Sec. 105(c)(2). As a condition to further assistance after the enactment of this paragraph with respect to each urban renewal project involving the displacement of individuals and families, the Administrator shall require, within a reasonable time prior to actual displacement, satisfactory assurance by the local public agency that decent, safe, and sanitary dwellings as required by the first sentence of this subsection *are available for the relocation of each such individual or family.*"

Questions

(1) What has been the effect of this new provision?

We require local public agencies to re-examine their available relocation resources as they approach the beginning of actual displacement. Accordingly, not more than 60 days prior to the estimated date of the commencement of actual displacement of a substantial number of individuals and families, the local agency must provide assurance that the information on relocation housing submitted to HUD at the time of loan and grant contract is still valid. This is important because significant changes can occur during the period which may have elapsed between loan and grant contract and commencement of actual displacement.

(2) Does it offer assurance that suitable relocation housing will in fact be made available to each displaced individual or family?

HUD policies have always provided that families in urban renewal areas not be required to move, except on a temporary basis, unless they are given an opportunity to obtain adequate housing within their financial means. This new provision reinforced this policy by requiring the local public agency to re-evaluate the availability of relocation housing shortly before displacement is to occur.

(3) Has it resulted in an improvement in performance by local public agencies in carrying out their relocation responsibilities?

The requirement in section 105(c)(2) together with more stringent HUD controls has, in our view, resulted in an improvement in the performance of local public agencies in carrying out their relocation responsibilities.

(4) How do you check local agency performance to see that these assurances are actually carried out?

Within the limits of available staff, Regional Office personnel visit localities having active programs that will involve displacement and relocation. Any complaints or other indication that a local public agency is not carrying out its relocation responsibilities are promptly investigated and remedial action is required where appropriate. Our review of reports on relocation activities also enables us to monitor local agency performance.

IV. SHORTAGE OF RELOCATION HOUSING

The Advisory Commission on Intergovernmental Relations, in its study of the relocation problem, said that the difficulty most frequently encountered was "lack of adequate supply of standard housing, particularly for large, low-income and nonwhite families." The testimony taken by this Subcommittee would cer

tainly bear this out. No matter how carefully we write the requirements that suitable housing be provided for displaced families and individuals, our relocation efforts will fail unless the necessary housing actually exists in the areas where it is needed.

Your Department has responsibility for a number of different programs designed to increase the supply of housing available to low and moderate income families.

Questions

(1) What provisions are there in existing housing law or in the regulations of your Department to help assure that the housing produced by these programs is made available on a priority basis to displaced persons?

There are a number of provisions in existing housing law to help assure that housing is made available to displaced persons. In the case of the low-rent public housing program, local authorities are required to give full consideration to their responsibility for the rehousing of displaced families. Special eligibility requirements are applicable to displaced families and individuals, and the law authorizes payment of an additional operating subsidy of up to $120 per year with respect to public housing units occupied by displacees. The leased housing and turnkey programs which can provide housing more quickly, are new techniques which enable the public housing program to be more responsive to relocation needs. Individuals and families displaced by governmental action are also eligible for rent supplement housing. The FHA mortgage insurance programs under section 221 of the National Housing Act, although now available for other families, were designed to meet the needs of displaced families and priority of occupancy is always accorded to displacees.

(2) Is there coordination between HUD's housing programs and these Federal programs which involve land acquisition, for the purpose of providing the additional supply of relocation housing that is needed in a given area for displaced families and individuals?

The Workable Program requirement provides a basis for achieving coordination between HUD's housing programs and Federal programs which involve land acquisition. Any locality which seeks certification or recertification of its Workable Program must present evidence of the availability of suitable housing to meet the needs of those to be displaced by all governmental action in the community. In many instances, Workable Program certification or recertification has been withheld until a locality has initiated action to plan the development of required relocation housing. In such cases, HUD cooperates in every way possible with the locality in achieving the requisite coordination with HUD housing assistance programs.

It should also be noted that, pursuant to section 105(c)(1) of the Housing Act of 1949, local public agency relocation assistance programs must assure the necessary coordination of relocation activities with other project activities and other planned or proposed governmental actions in the community which may affect the carrying out of the relocation program.

Enactment of S. 698, and the extension of relocation assistance requirements to other Federal programs, should result in improved coordination at both the Federal and local levels.

V. PAYMENT FOR DIRECT LOSSES FROM DISPLACEMENT

The Housing Act of 1949 now provides for payments to cover not only "reasonable and necessary moving expenses" but also "any actual direct losses of property except goodwill or profit."

S. 698 provides for "fair and reasonable relocation payments," but does not specifically refer to direct losses.

Questions

(1) Judging by your experience in urban renewal, how significant is this omission?

In the urban renewal program, compensation is presently provided for actual loss in the value of property (exclusive of goods or inventory) sustained by reason of the disposition or abandonment of the property resulting from the displacement. Under section 805(a)(2)(B) of S. 698, the President's rules and regulations for "fair and reasonable relocation payments" are to provide for reimbursement where a business concern disposes of personal property and replaces property at the new location. We believe that this provision, as modified

by the Bureau of the Budget proposal, would provide an adequate substitute in most cases for the present payment for actual direct losses of property. It should be noted in this connection, that we are advised by the Bureau of the Budget that it is their understanding that such compensation could also be made available to the business concern which disposes of personal property, but which closes its doors and does not move to new location. This would be under the general authority given the President under section 805 to issue regulations spelling out the types of losses for which compensation would be provided.

(2) Have payments for direct losses proved to be a significant part of total payments made?

Any comments you care to make on this would be appreciated.

Out of some 51,300 relocation payments made to business concerns under the urban renewal program as of December 31, 1967, approximately 19,700 involved payments for property loss. Of this number, 12,880 were for property loss, alone, and 6,298 involved moving expenses and property loss. Thus, relocation payments for property loss were involved in somewhat more than one-third of the number of relocation payments made. The dollar amount of relocation payments for property loss was approximately $29 million, reflecting some 40 percent of the total relocation payments to business concerns (exclusive of the Small Business Displacement Payment) totalling $72.2 million.

VI. PAYMENTS ABOVE FAIR MARKET VALUE FOR OWNER OCCUPANTS

The Bureau of the Budget has suggested that the owner of real property taken under a Federal or federally assisted program who purchases another home within a year be paid an amount of up to $5,000 which when added to the acquisition payment, equals the average price for a standard dwelling adequate to accommodate the displaced owner. This proposal has been supported by the testimony of other witnesses, including the National Association of Housing and Redevelopment Officials.

Questions

(1) Do you feel this to be a desirable addition to the relocation benefits available under the Act?

The Department's testimony before the subcommittee, strongly endorsed the proposal for a payment of up to $5,000 for lower income displaced homeowners. The Department believes that this is a needed addition to the relocation benefits now proposed in S. 698. When the value of the home which is taken is adequate to afford a decent, suitable replacement, the practical consequence of the displacement has been the loss of homeownership.

(2) Do you feel that the $5,000 limitation is adequate in the light of present day costs in the housing market?

Although we have had no experience in administering a payment of this kind, we believe that the $5,000 limitation should be adequate.

VII. CITIZEN PARTICIPATION

A number of witnesses have testified on the need for a greater degree of participation by area residents in the planning of renewal or development projects. They are particularly concerned that the families and citizens that will eventually be displaced by the project will have a full opportunity to express their views before final decisions are reached.

I am aware that in the case of some of your programs, the Workable Program must provide for citizen participation. How far does this go in accomplishing the kind of full citizen participation we are talking about?

I note that in the case of Camden, New Jersey, when disputes arose in the community over the inadequacy of relocation provisions for urban renewal and highway projects, your Department obtained agreement by the local authorities that there would be established a relocation review board to hear complaints from citizens and refer them to appropriate agencies for action. Should not such a review board be required in all programs where people are to be displaced by federally assisted public projects?

The Citizens Advisory Committee required under the Workable Program provides a city-wide forum for citizen participation in the community's efforts to eliminate slums and blight and to prevent further deterioration. The degree of participation by citizen groups with respect to particular aspects of the program varies as between localities. HUD policies encourage communities to establish

range of special subcommittees to assure maximum citizen participation in certain key areas. A subcommittee on minority group housing is generally required as part of the citizen participation program, to study and recommend ways and means to secure better housing for all minority and ethnic groups. Some cities, where a significant amount of displacement is expected to occur have established a subcommittee on relocation housing, for the purpose of working with local officials responsible for rehousing displaced families. Other cities have established special citizen groups to participate in comprehensive community planning activities, to work with urban renewal and public housing officials, to work with local officials in developing long-term capital improvement programs, or to assist in setting up programs of neighborhood participation in areas where action is needed for blight prevention.

It should be recognized that Citizen Advisory Committees and special subcommittees established pursuant to the Workable Program do not always provide adequate representation to the residents of project areas whose lives are most immediately affected by the urban renewal process. As a result, the Department is now exploring a more appropriate method of involving those persons directly affected by the relocation process. This is part of a larger effort the Department is now making to involve citizens more directly in the renewal process.

In view of the foregoing, we think it would be premature to comment on the question of whether a relocation review board, such as the one established in Camden, New Jersey, should be required for all federally assisted programs.

Senator MUSKIE. I think we have time for one more witness. I understand from the staff that Mr. Stalling will be able to come back tomorrow. Therefore, we will conclude this morning with Mr. William L. Taylor, staff director of the U.S. Commission on Civil Rights. If this gets too prolonged, we may have to put him over until tomorrow, but I think we have until 12:30 to meet, if that will be sufficient time.

TESTIMONY OF WILLIAM L. TAYLOR, STAFF DIRECTOR, U.S. COMMISSION ON CIVIL RIGHTS; ACCOMPANIED BY MARTIN E. SLOANE, SPECIAL ASSISTANT TO THE STAFF DIRECTOR

Mr. TAYLOR. Thank you, Mr. Chairman.

Senator MUSKIE. We shall be delighted to have you come back another time if you cannot finish today. I do not want to cut you short.

Mr. TAYLOR. I shall be glad to abbreviate my statement. If the committee wishes me to come back, I will do it.

I am William L. Taylor, staff director of the U.S. Commission on Civil Rights. With me this morning is Martin Sloane, special assistant to the staff director.

We appreciate the opportunity to present testimony on title VIII of the proposed Intergovernmental Cooperation Act, which deals with uniform relocation assistance.

Senator MUSKIE. May I say I am delighted you chose to testify on this, because I think it will be most helpful.

Mr. TAYLOR. Thank you.

I might say before I get into my statement, Mr. Chairman that I appreciated the remarks you made earlier this morning about the Poor People's Campaign. It seems to me that looking back over the last few years, almost all progress we have made in matters of race relations and matters of social justice have come as a result of peaceful protests and demonstrations of various kinds, which are within the purview of our democratic form of government. I think, again, that if Congress and the executive branch react to the demonstrations and to the protests by enacting social welfare legislation and improving our

performance within the executive branch, it will be an appropriate way of making progress through the traditional processes of our Government. We like to think that testimony by the Commission and the preparation of commission reports is at least partially responsible for progress, but somehow, that is not always quite sufficient. So I did appreciate what you had to say on the subject.

Senator MUSKIE. Thank you.

Mr. TAYLOR. Turning to the act, we believe that the problems to which title VIII is addressed—the gross inconsistencies in the kinds of assistance available to families and businesses displaced by Federal and federally-assisted programs and the inadequacy of assistance available under any of these programs—are urgent ones, requiring immediate corrective action. It is clear that problems of relocation are a major factor inhibiting the success of many programs aimed at improving the quality of life in our cities. It also is clear that they are a part of the underlying problem that has bred unrest and disorder in our urban centers.

We believe title VIII can make a substantial contribution to resolving these problems and we urge its enactment. We have several suggestions to offer, however, which we believe would enable the bill to deal more effectively and comprehensively with problems of relocation. We also wish to add the caveat that there are distinct limits to the impact of legislation aimed at relocation assistance alone, in the absence of forceful measures in other areas. What we are talking about here are measures to assure that families whose lives will be affected have a voice in the decisions concerning the operation of programs involving displacement, measures to assure that when displacement is necessary, there is, in fact, a sufficient supply of housing available to accommodate the families who are to be displaced, and above all, measures to assure that relocation will serve as an instrument for unifying our urban society and facilitating the full participation of the poor—and particularly the nonwhite poor—in community life.

Senator MUSKIE. May I interject at this point?

In the testimony last week, there was a suggestion that we ought to find a way in connection with this legislation, to arrange for participation by the poor. No specific suggestions have been offered as yet. If you do not have one—I have not read your testimony—it would be helpful if you could address yourself to that question as it occurs to you.

Mr. TAYLOR. We do have a suggestion in our testimony. I do not think it is specific enough for purposes of legislation, but we shall be glad to pursue the matter and try to make it more specific.

Senator MUSKIE. Fine.

Mr. TAYLOR. Since our Commission has been in existence, approximately 11 years now, we have maintained a continuing interest and concern with problems of housing. We also have maintained a continuing concern with problems of displacement and relocation, particularly as they affect minority group members. In 1959, when the Commission issued its first report on housing, we examined relocation policies and practices with respect to families displaced by urban renewal. In 1961, the Commission broadened its inquiry to include problems of relocation under the federally assisted highway programs. We pointed out at that time, that there were marked disparities between the as

sistance available to families displaced by urban renewal and those displaced by federally assisted highways. In fact, until 1962, the Federal highway program, unlike urban renewal, imposed no obligation either on the Federal Government or on the States to provide any relocation assistance.

Although the Federal highway program now provides some degrees of assistance to the families it displaces, other programs, such as those administered by the Department of Agriculture and the General Services Administration, still carry no provisions for any relocation assistance, either financial or advisory. As the Advisory Commission on Intergovernmental Relations and other agencies have demonstrated, these disparities exist among a wide variety of programs—Federal, State, and local—that involve displacement. Urban renewal, which has received more than its fair share of criticism for the inadequacies of its relocation assistance program, actually provides the broadest and most comprehensive range of assistance of any Federal or federally assisted program, including compensation for moving expenses, relocation adjustment payments of up to $500, and advisory assistance to families who are displaced.

Title VIII would establish uniform standards for relocation assistance which all Federal or federally assisted programs would be required to satisfy. To a large extent, these standards would be based on the current relocation assistance provisions contained in the urban renewal law. For example, section 803(c), relating to relocation assistance programs, is virtually identical to the provisions now applicable to urban renewal. The bill also seeks to raise the level of assistance beyond that currently available under urban renewal or any other program. For example, section 802(e) would provide for payments to displaced families in amounts up to $1,000 over a 2-year period to assist them in securing decent, safe, and sanitary housing.

We believe the necessity for establishing uniform relocation assistance in all Federal and federally assisted programs involving displacement, and for improving the quality of assistance available to displaced families, has been amply demonstrated. Title VIII represents needed legislation.

We wish to point out, however, that the problem of relocation does not exist in a vacuum, but is a part of the entire process by which families and businessmen are uprooted through the impersonal use of governmental power. Relocation assistance, in the form of money or guidance, cannot adequately compensate people whose homes and businesses have been sacrificed, with little or no oportunity for protest, in favor of such presumably higher public interests as more efficient and use or the enlargement of suburban highway arteries—particularly when they receive no real benefit from these public improvements. By the same token, the problem of relocation cannot realistically be viewed separately from other problems facing our cities—problems of inadequate housing and of growing racial and economic separation—to which relocation is closely tied. Nor can the problem of relocation be fully resolved unless corrective action also is taken to eliminate other inequities and to provide for more basic change in the nature of urban society.

Programs of public improvement have a variety of purposes and effects, sometimes inconsistent with one another. For example, the

highway program, by facilitating travel between cities and within metropolitan areas, has contributed significantly to transforming us into a mobile society. It also has been a major factor in the flight to the suburbs of the white middle class, transforming central cities into areas where the poor and the nonwhite increasingly predominate. Urban renewal, by contrast, is concerned with revitalizing our cities, in part, by attracting the very people that the highway program has enabled to leave.

Despite the inconsistencies in purpose and effect among various public improvement programs, they have a number of elements in common. Most involve massive displacement and a net reduction in the number of housing units. For example, urban renewal, through the end of 1965, had demolished more than 333,000 homes. During the same period, it had replaced them with only 84,000 dwelling units—approximately one-fourth the number the program had eliminated from the Nation's housing inventory. In 1967, alone, the Federal highway program eliminated more than 30,000 dwelling units. By the very nature of the program, it replaced none of them.

In addition, these programs tend to be highly selective with respect to the families they displaced. They have their principal impact on the poor. According to the Secretary of Transportation, during the 18-month period between April 1965, and October 1966, more than one-third of the families displaced by the highway program lived in homes valued at less than $6,000 or which rented for less than $60 a month. Fewer than 20 percent of the families displaced resided in homes valued at more than $15,000 or which rented for more than $110 a month. According to a census study of urban renewal relocation during the summer of 1964, 80 percent of the families displaced had incomes of less than $6,000. Two of every five such families earned less than $3,000 a year.

These programs have at least one further element in common. They displace a disproportionate number of nonwhites and other minority group families. In Baltimore, Md., almost nine of every 10 families displaced by public action during the decade of 1955 through 1964 were nonwhite. In Nashville, Tenn., the case discussed earlier, more than half the housing units occupied by Negroes were demolished through similar action during the present decade. The Federal highway program, alone, threatens to wipe out all of the 234 Negro businesses in North Nashville, which are reported to represent almost 90 percent of the Negro-owned and operated businesses in Davidson County. For urban renewal, of the displaced families whose color is known, nonwhites represent fully 60 percent since the program's inception.

Thus the impact of these programs falls with special severity on the poor—particularly the nonwhite poor—those who are least able to protect their vital interests, those whose range of relocation choice, by virtue of their race and their economic position, necessarily is the narrowest. These programs have been more of a threat than a hope to the urban poor. Highways have meant elimination of their homes and businesses on a massive scale. Urban renewal has meant, as charged Negro removal.

What I am suggesting is that Federal intervention to protect the interests of these families, restricted to the relocation stage of the

programs, can be only of limited value. Relocation is only the last stage of a process initiated many years before—a process that begins with planning. If the interests of the poor are to be protected adequately, they must be protected at this point. Usually, they are not. One reason is that, at least in the past, the programs have been concerned more with factors of economics and logistics than with social welfare.

Thus decisions on the location of highways have been made by determining the shortest distance between two given points and by calculating the relative cost of acquiring properties that happen to be in the way. Urban renewal, while professing to be aimed at revitalizing cities, has viewed its functions largely in economic, rather than human terms. The program has been more concerned with producing greater tax yeilds from city land than with determining ways in which the quality of life for all city dwellers could be improved. Although "citizens participation" long has been a requirement in the urban renewal program, the views and interests of the families who reside in areas that need renewal rarely have been decisive factors in determining the course of the program. On the contrary, in many programs, planning decisions are made of which the poor, whose lives are to be disrupted, either are ignorant or only vaguely aware. These decisions come fully to the surface only years later in the form of bulldozers and dislocation. By that time it often is too late to change the course of the program. In short, the key decisions often have been imposed on the poor, on the basis of factors that do not include their social welfare and largely without consulting them or seeking their views.

To some extent, these deficienices are being corrected. The Federal Highway Administration now considers environmental factors as well as logistics in plannning and carrying out highway construction. The Department of Housing and Urban Development is placing greater emphasis on residential reuse of urban renewal land and is stressing rehabilitation rather than clearance. Further, both agencies have instituted procedures to assure that the families to be displaced are consulted, or at least advised of the pending clearance well before the fact. In addition, title IX of the bill before the committee would establish as a policy to guide Federal agencies in their land acquisition activities that human considerations, including the economic and social effects, should be taken into account in determining the boundaries of a public improvemnt project. More, however, needs to be done.

First, we urge the committee to provide in the bill for prior consultation with the people affected as a uniform requirement for all relevant Federal or federally assisted programs. Thus, before any such program involving displacement could be carried out, it would have to be demonstrated that the families and businessmen in the area, or their designated representatives have been consulted in advance of decisions on plannning, and that they have been given maximum opportunity to participate in making key decisions such as those related to the location and the nature of the public improvement and its timing.

Second, to assure against mere paper compliance with this requirement, the legislation should provide that if, despite the protests of the people affected, the decision is made to acquire the properties, this decision must be justified by a showing that all factors have been con-

sidered, including the welfare of the people to be displaced, and that the public interest nonetheless requires the acquisition. There also should be a procedure for a speedy review of the decision by an outside agency not connected with the operation of the program.

Turning to the issue of relocation, itself, title VIII recognizes that the problem of relocating displaced families, most of whom are poor and a disproportionate number of whom are nonwhite, can be met only through assistance. The assistance provided in the bill would take several forms. First, financial assistance, which would be more substantial than any provided under the existing law. The bill recognizes, however, that adequate relocation requires more than money and it also would require Federal and State agencies to establish relocation assistance programs which would offer services aimed at assisting displaced families in securing decent housing.

Several of the key provisions regarding relocation assistance programs, contained in section 803(c), are derived from the existing urban renewal law. We believe these provisions are necessary if displaced families are to have a real opportunity to relocate in decent housing. On the basis of the experience under the urban renewal program, however, there is some doubt that relocation assistance programs, under existing conditions, can be completely successful.

First, there is a certain unreal quality about these provisions. One of the aims of a relocation assistance program would be "to assure that within a reasonable period of time prior to displacement, there will be available * * * at rents or prices within the financial means of families and individuals displaced, decent, safe, and sanitary dwellings * * *." This provision seems to assume that in most areas of the country there is a sufficient supply of lower income housing and that all that is needed is for the poor to be directed to it. This simply is not true, at least with respect to cities, where most displacement occurs. Housing provided through the ordinary channels of the housing market is too expensive for most displaced families. Government subsidy programs aimed at providing a sufficient supply of lower income housing, such as public housing, FHA 221(d)(3), and rent supplements, have produced only a comparative handful of units when measured against the enormous need, which is calculated at some 6 million units.

As the Civil Disorders Commission pointed out, the dimensions of the need for low- and moderate-income housing call for an unprecedented national effort, which would produce 6 million units over the next 5 years. The administration's proposed Housing and Urban Development Act of 1968 also recognizes the urgent need for the immediate production of a large volume of housing within the means of lower income families. In short, with the existing shortage of lower income housing there are severe limits to the effectiveness of any effort to assure satisfactory relocation of displaced families.

We are told, nonetheless, that the great majority of displaced families have relocated in what is considered to be standard housing. That statement, I think, was made earlier this morning.

In view of the acknowledged scarcity of lower income housing, the obvious question arises—where did these families go? To a large extent, the answer is—we don't know. Urban renewal, for example, which maintains the most comprehensive information on relocation

keeps it only with respect to families who have entered the relocation agency's caseload. The responsibility of the local public agency for relocation commences at the time the loan and grant contract with HUD is executed. Many families, however, move out prior to that time because of the impending clearance. These families are not part of the relocation caseload, nor are they included in the data concerning relocation. Further, there is no obligation on the part of the Federal Government or the local public agency to provide any assistance to these families. Whether they departed before or after the urban renewal loan grant contract was executed it is clear that their displacement was a result of urban renewal. No information is available, however, on how these families fared after displacement.

It is clear also that most of the families who did relocate in standard housing managed it without assistance from the local public agency. In the 1964 census study of urban renewal relocation, it was pointed out that although 90 percent of the families surveyed received counseling, financial, or other assistance from the local public agency during the relocation process, 70 percent of the families relocated through their own efforts, without assistance from the local public agency. Thus, on the basis of the urban renewal experience, there is reason to question the effectiveness of relocation assistance programs, such as those provided in the bill.

Further, many of the families managed it by stretching their limited resources to pay rent. According to the census study, the median rent that relocated families had to pay was 28 percent of their income. For nonwhites, it was even higher. About three of ten nonwhite families had to pay between 35 and 64 percent of their income for rent.

Beyond this, however, there is some question whether all the families reported to have relocated in standard housing actually did so, at least in the sense that most of us view the term standard housing. The technical definition of standard housing deals primarily with plumbing. Thus a housing unit which is clearly in deteriorating condition is considered standard according to the technical definition so long as it has adequate plumbing facilities.

In a long and, I think, useful piece in the New York Times yesterday, it was stated that there are 800,000 units of substandard housing in the city of New York. This is a staggering figure, obviously not based completely on plumbing.

Moreover, housing that is occupied by more families than it is designed to hold is not thereby rendered substandard. On the basis of the Commission's experience, overcrowding is a major problem resulting from urban renewal displacement. For example, at the Commission's hearing in Cleveland, Ohio, we heard testimony that urban renewal had had the effect of moving Negroes from one slum neighborhood into the Hough area, causing the Hough area to become overcrowded and leading to the deterioration of other areas of the city. As one Commission witness put it:

> You are just moving your ghetto from Hough to Glenville, to Mount Pleasant, and finally to Lee-Harvard and Shaker Heights and God knows where to from there.

This process is continuing. I saw a recent article which indicated that the vacancy rate in Hough was increasing while other areas were becoming more overcrowded.

Our witness concluded "that the whole thing is eventually going to erode the whole city."

Thus, even while urban renewal areas are being rebuilt, the process of decay in other parts of the community is accelerated. There is some doubt whether programs such as urban renewal can be completely successful if, while concentrating on the revitalization of one part of the community, they contribute, through inadequate attention to factors such as overcrowding, to the deterioration of others.

I am not suggesting that the legislation you are considering can be designed to resolve all of these problems. Nor do I intend to deprecate the requirements for financial and counseling assistance to displaced families. These are necessary and indeed, represent a part of the answer. As you recognize, however, much more is necessary if these requirements are to be of maximum effectiveness.

First, they must be carried out with energy and compassion by Federal and State officials—officials who are willing to hold up a public improvement program until they are assured that relocation is satisfactory, not only in statistical terms, but in terms of the needs and desires of the families involved. There is some evidence that this has not not been the case in the past—that program administrators have considered relocation more of an obstacle to the operation of the program than an inherent part of it, which must be satisfied if the program is to succeed. One way of meeting this program is to divorce the responsibility for relocation from that of program operation, giving the relocation officials the authority to hold up the program until they are satisfied that relocation will be successful. I understand that HUD has instituted such a procedure in the urban renewal program and I believe it warrants serious consideration by all other agencies which operate programs, involving displacement.

Sympatheic and vigorous administration of relocation assistance programs, however, will not be enough. As one commentator has pointed out: "What is needed is not counseling but an expansion of the supply of low-cost housing." We recognize that low-income housing legislation is not being considered as part of the bill before you, nor is it specifically within the jurisdiction of this committee. I wish to stress, however, that unless the supply of low-income housing is expanded on an unprecedented scale, through the expansion of existing Government subsidy programs and the enactment of additional programs capable of producing low-income housing in volume, relocation will be a continuing and increasing problem. There is a bill pending on the floor right now which, if enacted, can make a substantial contribution towards providing the kind of expansion in the supply of lower income housing that is needed.

I also wish to stress that the success of relocation cannot be judged solely in terms of the proportion of displaced families who relocate in standard housing. The problems facing our cities today stem not only from poverty and inadequate living conditions, but also from the growing trend toward racial and economic separation. Relocation in the past has tended to intensify the isolation of the poor, and particularly the nonwhite poor. Under the bill in its present form, there is little reason to believe that the experience will not be the same.

Mr. Chairman, this trend toward racial and economic separation must not be allowed to continue. The Civil Disorders Commission, after

a thorough investigation of the riots that occurred last summer, reached a basic conclusion: "Our Nation is moving toward two societies, one black, one white—separate and unequal." This conclusion is fully supported by the facts the Commission on Civil Rights has gathered through hearings and investigations in urban areas and through our own reports. We are developing a society in which the affluent and the impoverished, the white and the nonwhite, live in isolation from one another. We are developing a society where it is possible, as the Commission learned at its Cleveland hearings, for a Negro child, raised in the heart of a large city, to reach adolescence without ever having known a white person of his own age. In short, we are developing a society that is rapidly being divided into opposite camps, hostile and mistrustful of each other.

It will require a major effort for this trend to be reversed. Relocation cannot provide the total answer, but it can play a major role. I urge you to amend section 803(c) to provide that a major purpose of a relocation assistance program must be to contribute to the elimination of segregation by race and income. We believe that such an amendment can provide necessary guidance to those charged with responsibilty for carrying out these programs so that relocation will not continue to result in increasing racial and economic separation, but can make a major contribution toward ending segregation and unifying our urban society.

That concludes my statement. Thank you.

Senator MUSKIE. Thank you very much, Mr. Taylor, for your excellent statement. It is very much to the point. I am sorry that time forces us to recess the hearing.

Senator Hansen, did you have anything you wished to ask?

Senator HANSEN. No, only to compliment you on your excellent statement, Mr. Taylor.

Mr. TAYLOR. Thank you, Senator.

Senator MUSKIE. We are recessed until tomorrow morning at 10 o'clock in this room.

(Whereupon, at 12:35 p.m., the hearing was recessed, to reconvene Wednesday, May 29, 1968, at 10 a.m.)

INTERGOVERNMENTAL COOPERATION ACT OF 1967 AND RELATED LEGISLATION

WEDNESDAY, MAY 29, 1968

U.S. SENATE,
SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS,
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:20 a.m., in room 457, Old Senate Office Building, Senator Edmund S. Muskie (chairman) presiding.

President: Senators Muskie and Baker.

Staff members present: Charles M. Smith, staff director; Robert E. Berry, minority counsel; E. Winslow Turner, general counsel; Lucinda T. Dennis, administrative secretary.

Senator MUSKIE. We are pleased to welcome you, Mr. Bridwell, this morning.

Please proceed with your testimony.

TESTIMONY OF LOWELL K. BRIDWELL, FEDERAL HIGHWAY ADMINISTRATOR, ACCOMPANIED BY FRANCIS C. TURNER, DIRECTOR OF THE BUREAU OF PUBLIC ROADS

Mr. BRIDWELL. Thank you, Mr. Chairman, Senator Baker.

For the record, my name is Lowell Bridwell, the Federal Highway Administrator. With me is Mr. Francis Turner, Director of the Bureau of Public Roads. Before beginning my statement, Mr. Chairman, I would like to comment that this subject of relocation assistance, in my opinion, is one of the most serious problems facing us in the Highway Administration and the Bureau of Public Roads, and one of the most serious problems facing the progress of the Federal-aid highway program. Before the Senate Public Works Committee we have recently provided considerable testimony and certain other materials related to its hearings on the problems that are encountered in the highway program in urban areas. Without question, I think, any rational examination of the problems that we face in the progress of the Federal-aid highway program has to have as one of its big parts the problems of displacing persons. So with that introduction, Mr. Turner and I both are very pleased to have this opportunity to appear before the committee to present our testimony, answer any questions, and certainly urge, very strongly urge, action by the Congress in this session to provide the mechanics, provide the tools with which we can, in cooperation with the States and local governments, do a much more adequate job of taking care of displaced persons and businesses.

Senator MUSKIE. May I say, Mr. Bridwell, that I compliment what was the Bureau of Roads, now the Department of Transportation, for what I believe is almost a complete reversal in attitude on these problems over the last 2 or 3 years. I think you have humanized the program in a commendable way. You know the testimony that we get these days from the Department is most reassuring so we are especially appreciative of your attendance here this morning.

Mr. BRIDWELL. I will direct my testimony largely to title VIII of S. 698, the provisions of the bill which relate most significantly to the Federal Highway Administration. The Department is filing a letter with the committee on some of the other aspects of the bill, but I want to concentrate this morning on the very important subject of relocation assistance.

Title VIII involves a uniform policy for the equitable treatment of persons displaced by the acquisition of property by Federal or federally assisted programs. We favor enactment of this title as strengthened by the amendments recommended by the Bureau of the Budget.

Part B of title VIII, which deals with federally assisted programs, recognizes the need for State and local agencies acquiring land to assure that those displaced have adequate replacement housing. Consistent with this objective, section 807 (a) (4) would require that no federally assisted project shall be approved without the assurance that decent, safe, and sanitary housing will be available prior to displacement and within the financial means of the displacees.

To assist displaced families or individuals to secure a decent, safe, and sanitary dwelling, the bill would also permit payments of up to $500 for each of two consecutive 12-month periods. We believe this provision is needed, not as an alternative to the provision of decent, safe, and sanitary housing, but as a complementary feature.

The need for this complementary provision is suggested by considering the rent payments made by those who will be displaced. Many of these are in the low- or moderate-rent category. For example, our "Highway Relocation Assistance Study" [1] disclosed the breakdown of rentals paid by 61,000 tenants displaced or to be displaced by Federal-aid highways during the 3-year period between July 1967 and June 1970 to be: 41 percent pay less than $60 per month; 43 percent pay between $60 and $110 per month; and 16 percent pay over $110 per month. Many of these who will be displaced from low- or moderate-rental units will need assistance to finance suitable replacement housing because of the shortage of low-rent housing.

Relocation problems for people in low-cost housing are also serious for owner-occupants. We believe title VIII needs to recognize the problems of the owner-occupant of real property which is acquired, but for which the fair market value is not sufficient to enable the previous owner to obtain a suitable dwelling. We favor the proposal of the Bureau of the Budget for a payment of up to $5,000 which would represent an amount which, when added to the acquisition payment,

[1] House Committee on Public Works, Committee Print No. 9, 90th Cong., first sess., a p. 43. Transmitted to Congress, June 30, 1967, by the Secretary of Transportation pursuant to sec. 12 of the Federal-Aid Highway Act of 1962, Public Law 89-574.

equals the average price required for a decent, safe, and sanitary dwelling of modest standards available on the private market.[1]

Frequently, homeowners who must relocate face higher costs than they had formerly. In some cases, this results because there is no suitable housing comparable in price to what these owners left. This seems likely to be the case for many of those to be relocated from highway rights-of-way. During the 1967 to 1970 period (now about one-third past), about 86,000 owner-occupants have been or will be displaced for Federal-aid highways.

The values of the 86,000 properties are as follows: 27 percent under $6,000; 46 percent between $6,000 and $15,000, and 27 percent over $15,000.[2]

How serious a problem relocation may be for residents depends on such matters as their age, income, and race and on the amount and cost of vacant land and replacement housing in the area. In one study of elderly homeowners,[3] a majority of the resettled owners stated that the displacement had adversely affected their financial position. For example, the mortgage averaged $7,000 on the new property compared with $3,000 on the old. New housing was reported to be superior by 60 percent and to be not as good as the old by 30 percent.

Section 905(a)(3) concerns the establishment of a fair and reasonable price to be offered for property needed for a project. We favor this policy in so far as it requires that owners be immediately offered the full appraised value of their property. This is present practice in the acquisition of rights-of-way for Federal-aid highways. We are not sure, however, whether section 905(a)(3) is intended to imply that the price originally established can never be altered, even when elements of value not considered in the appraisal come to the attention of the acquiring agency. We believe the committee may wish to make clear that this section does not institute a totally inflexible one-price policy.

A preliminary estimate by the Bureau of Public Roards indicates that the highway relocation costs under the provisions of S. 698, as

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[1] While we believe this supplementary payment will alleviate many of the inequities caused by the need to relocate, candor requires us to concede that some instances of hardship will not be covered by this legislation. For example, where an owner was forced to pay an excessive price for his home because he was a high risk or as a result of abnormal market conditions, payment of only fair market value for his property may not be enough to enable him to pay off the outstanding mortgage and still have the amount of a downpayment on a replacement house left over. Yet such an owner might not be eligible for a supplementary payment under the proposed legislation, since a comparable decent, safe, and sanitary home would probably cost no more than the fair market value of the property taken.

Another situation not covered is that of the elderly individual, living on a fixed retirement income or social security, who cannot replace his modest but paid-for house for the amount he receives as compensation. Even if he could obtain financing, he may not be in a position to make mortgage payments on a new home. In all probability, the supplementary payment would not enable this person to avoid the need to incur these new obligations. This problem is accentuated where a part of the elderly person's income comes from renting rooms in the house taken by the project. In addition to the problems already mentioned, the owner's extra income from rents is entirely gone, and the move may put him in a location which is not as desirable to prospective tenants.

[2] "Highway Relocation Assistance Study," transmitted to Congress by the Secretary of Transportation on June 30, 1967 (House Committee on Public Works, Committee Print No. 9, at p. 43).

[3] Adkins and Eichman "Consequences of Displacement by Right-of-Way to 100 Homeowners, Dallas, Tex." (report to Texas Highway Department and Bureau of Public Roads; Bulletin 16, E 66–61, of the Texas Transportation Institute. A. & M. College of Texas, 1961, at pp. 8–18).

modified by our suggestions, might be as high as $173 million annually.[1]

As the land acquisition for the Interstate System tapers off in the next several years, costs attributable to this program should decline. Unless of course, the Congress enacts a follow-on or a new highway program which would require similar property takings.

Senator MUSKIE. May I ask a question?

Mr. BRIDWELL. Yes, sir.

Senator MUSKIE. Is this estimate based upon the 100 percent formula of S. 698 or upon the formula of the Bureau of the Budget that these costs be apportioned between the States and the Federal Government according to the formula applied to the project?

Mr. BRIDWELL. Mr. Chairman, I believe that subject to possible correction, my understanding is that the $173 million is total cost, regardless of where the funds come from.

Current Federal legislation (23 U.S.C. 133), enacted as part of the Federal-Aid Highway Act of 1962, does not require the States to make relocation payments as a condition of receiving Federal-aid highway funds. Instead, section 133 merely permits such payments, where made, to be included as construction costs and thus reimbursed on the same basis as any other project cost, but only up to $200 in the case of an individual or family and $3,000 in the case of a business or farm.

As of March 31, 1968, 37 States,[2] the District of Columbia, and Puerto Rico authorized the payment of moving costs reimbursable in whole or in part under section 133. Of these, 25 States[3] and Puerto Rico substantially provide relocation payments in the amounts subject to Federal reimbursement under section 133. The laws of 11 States authorize their highway departments to make payments exceeding the limits of section 133.[4]

As a result, a portion of such payments are not eligible for Federal reimbursement. Section 133 does, however, require every State to provide relocation advisory assistance, but only for the relocation of families. While present Federal law does not require relocation advisory assistance for businesses and nonprofit organizations, almost every jurisdiction now offers this service.

Relocation payments on a national basis show the magnitude of the trends in the program. For example, as shown in the tables appended to this statement, during the 33-month period from April 1, 1965, to December 31, 1967, residential relocation payments totaled nearly $6½ million for about 55,000 payments, an average of $117 for each

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[1] $75 million for replacement housing assistance (21,000 eligibles averaging $3,500).
$19 million for rental assistance payments (38,000 units averaging $500).
$60 million for the recommendations contained in the Highway Relocation Assistance Study.
$14 million for the cost of transferring property to the State (56,000 units averaging $250).
$5+ million for business relocations in excess of the amounts recommended in the Highway Relocation Assistance Study (5,300 units averaging $1,000).
Total, $173+ million.

[2] Alaska, Alabama, California, Connecticut, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin.

[3] Alaska, Alabama, California, Georgia, Illinois, Kansas, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Nevada, New Hampshire, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Dakota, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin.

[4] Connecticut, Indiana, Maryland, Montana, Nebraska, New York, North Dakota, Oklahoma, Pennsylvania, Tennessee, District of Columbia.

residential relocation payment. Business relocation payments averaged over $1,000 each and came to a total of over $6 million during this 33-month period. Residential relocation payments during the last quarter of 1967 numbered over 5,700 and averaged $124, compared with about 2,000 payments averaging $104 in the quarter ending June 30, 1965. Business relocation payments show a similar upward trend.

Congress has clearly recognized the need to strengthen the relocation assistance program. The Federal-Aid Highway Act of 1966 directed that a study be made of the relocation problem with special emphasis on the adequacy of relocation payments and assistance rendered. This highway relocation assistance study was transmitted to the Congress by the Secretary of Transportation on June 30, 1967, and was printed by the House of Representatives as Committee Print No. 9, 90th Congress, first session.

That study indicates that about 168,000 individuals, families, businesses, farmers and nonprofit organizations either have been or will be displaced during the 3-year period commencing July 1, 1967. This will average 56,000 per year. About 23 percent of these are located in rural areas and 77 percent in urban areas. About 55 percent of all highway displacements will result from the interstate program.[1]

The bulk of the 168,000 estimated displacements involve residences, either families or individuals. About 147,000 residences, 16,000 businesses and nonprofit organizations, and 5,000 farms have been or are expected to be displaced during the July 1967 to July 1970 period. Of the 147,000 residential units, about 86,000 are owners and 61,000 are tenants.[2]

It is of course, obvious that the more adequate relocation program proposed by S. 698 would require greater expenditures than does the program presently authorized. Taking the 168,000 relocations which occurred or will occur in the period from 1967 to 1970, the total relocation cost, both Federal and State, authorized under the present program could be about $37 million, or somewhat more than $12 million per year. This assumes that all jurisdictions participated fully. However, since only 39 jurisdictions are actually participating under the present law, the actual cost for the calendar year 1967 was closer to $6 million.

If the more adequate relocation provisions recommended by the present legislation were enacted, the cost would be approximately $173 million annually. These costs anticipate acquisition of Interstate System rights-of-way and can be expected as I mentioned earlier to diminish with the completion of that program.

We think that the increased costs engendered by S. 698, while large in dollars, are small in comparison with the more than $4 billion expended annually by the Federal Government alone in the Federal-aid highway program. The additional expenditures required in the proposed legislation are, in our view, entirely justified to insure that persons displaced by our highway programs are treated justly and that hardship is not worked on those few persons and businesses who

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[1] Highway relocation assistance study, transmitted to Congress by the Secretary of Transportation June 30, 1967 (House Committee on Public Works, Committee Print No. 9, 90th Cong., 1st sess., at p. 41).

[2] Highway relocation assistance study, transmitted to Congress by the Secretary of Transportation June 30, 1967 (House Committee on Public Works, Committee Print No. 9, 90th Cong., 1st sess., at 41 and 43).

must move in order that the highway program may be completed for the benefit of us all.

Finally, section 807(b) provides in the case of federally-assisted projects that costs of relocation would be included in project costs and Federal financial assistance would be provided to the same extent as other project costs, except that the Federal agency would contribute the first $25,000 of the cost of providing a relocation payment to any displaced person. The effect of the proposal would be to have the Federal Government assume almost all relocation payments.

We believe that relocation payments are an essential element of project cost and see no reason to exempt the first $25,000 from the usual sharing requirements. We believe strongly that relocation payments should be shared as other highway project costs.

I thank you for this opportunity to testify on this legislation, Mr. Turner and I, to the extent of our ability, are prepared to answer questions.

(The tables referred to follow:)

TABLE 1.—HIGHWAY RELOCATION PAYMENTS FOR ALL STATES APR. 1, 1965, TO DEC. 31, 1967

Quarter ending	Residential payments			Business payments		
	Number of payments	Total payments	Average payment	Number of payments	Total payments	Average payment
June 30, 1965	2,002	$209,062	$104	354	$339,905	$960
Sept. 30, 1965	3,406	387,693	114	371	363,598	980
Dec. 31, 1965	5,598	584,355	104	514	453,843	883
Mar. 31, 1966	4,951	538,229	109	597	547,663	917
June 30, 1966	5,588	618,512	111	633	615,077	972
Sept. 30, 1966	6,106	716,792	117	596	618,823	1,038
Dec. 31, 1966	5,659	665,629	118	627	625,206	997
Mar. 31, 1967	4,778	589,394	123	677	895,698	1,323
June 30, 1967	5,238	664,554	127	573	574,906	1,003
Sept. 30, 1967	5,724	728,708	127	580	638,762	1,101
Dec. 31, 1967	5,740	709,002	124	640	682,004	1,066
Total	54,790	6,411,930	117	6,162	6,355,485	1,031

TABLE 2.—HIGHWAY RELOCATION—PAYMENTS BY STATES JULY 1, 1967, TO DEC. 31, 1967

Region	State	Residential payments			Business payments		
		Number of payments	Total payments	Average payment	Number of payments	Total payments	Average payment
1	Connecticut	429	$61,010	$142	17	$28,982	$1,705
	Maine	33	4,993	151	5	752	150
	Massachusetts	152	22,541	148	44	58,161	1,322
	New Hampshire	41	5,538	135	3	2,230	743
	New Jersey	444	51,435	116	62	90,366	1,458
	New York	950	165,286	174	120	205,284	1,711
	Rhode Island	28	2,740	98	7	18,124	2,589
	Vermont	50	7,030	141	13	7,201	554
	Puerto Rico						
	Total, region 1	2,127	320,573	151	271	411,100	1,517
2	Delaware	337	36,501	108	12	6,743	562
	Maryland	774	78,681	102	83	102,789	1,238
	Ohio	514	85,948	167	42	85,067	2,025
	Pennsylvania	422	39,799	94	71	27,586	389
	Virginia	492	58,349	119	39	23,086	592
	West Virginia	39	3,175	81			
	District of Columbia						
	Total, region 2	2,578	302,453	117	247	245,271	993

TABLE 2.—HIGHWAY RELOCATION—PAYMENTS BY STATES JULY 1, 1967, TO DEC. 31, 1967—Con.

Region	State	Residential payments			Business payments		
		Number of payments	Total payments	Average payment	Number of payments	Total payments	Average payment
3	Alabama						
	Florida	482	$38,262	$79	61	$53,260	$873
	Georgia						
	Mississippi	350	30,027	86	8	2,549	319
	North Carolina						
	South Carolina	198	14,474	73	42	23,817	567
	Tennessee	350	30,697	88	21	10,192	485
	Total, region 3	1,380	113,460	82	132	89,813	680
4	Illinois	131	12,488	95	19	11,837	623
	Indiana	927	104,010	112	57	42,198	740
	Kentucky	310	28,704	93	51	38,028	746
	Michigan	1,537	202,280	132	97	93,536	964
	Wisconsin	120	17,748	148	38	43,988	1,158
	Total, region 4	3,025	365,230	121	262	229,587	876
5	Iowa	42	6,360	151	7	2,961	423
	Kansas						
	Minnesota	365	48,635	133	88	87,868	999
	Missouri						
	Nebraska	46	5,225	114	20	13,949	697
	North Dakota	3	407	136	4	1,928	482
	South Dakota						
	Total, region 5	456	60,627	133	119	106,706	897
6	Arkansas						
	Louisiana						
	Oklahoma						
	Texas	19	2,140	113	9	90,791	10,088
	Total, region 6	19	2,140	113	9	90,791	10,088
7	Arizona						
	California	1,463	224,133	153	102	77,775	765
	Nevada	18	1,576	88	18	21,767	1,209
	Hawaii	90	10,625	118	8	1,005	126
	Total, region 7	1,571	236,334	150	128	100,547	786
8	Alaska						
	Idaho						
	Montana						
	Oregon	233	25,017	107	33	20,984	636
	Washington	59	9,131	155	16	25,123	1,570
	Total, region 8	292	34,148	117	49	46,107	941
9	Colorado						
	New Mexico						
	Utah	16	2,745	172	3	839	280
	Wyoming						
	Total, region 9	16	2,745	172	3	839	280
	Total, national	11,464	1,437,710	125	1,220	1,320,766	1,083

Senator MUSKIE. With respect to that last point, your position is that provision of an adequate relocation payment in accordance with the provisions of S. 698 should be in addition to the sharing of Federal highway costs by the States?

Mr. BRIDWELL. Yes, sir.

Senator MUSKIE. That is writing off quite a powerful incentive in these days, is it not?

Mr. BRIDWELL. I would think so, yes, sir.

Senator MUSKIE. But is it as powerful as other Federal programs in these days?

Mr. BRIDWELL. Of course, not being familiar or as familiar with other Federal-aid programs as I am with the highway program, I do not believe I am qualified to answer the question. However, I think it is perfectly obvious that in order to receive Federal assistance for any kind of program, certain kinds of standards, certain kinds of conditions, criteria, have to be met. I see nothing particularly unusual in adding this particular criterion as a condition of receiving Federal aid.

Senator MUSKIE. But there are a number of programs that are not as popular in the States, or in all parts of the States, as highways. Highway construction is almost uniformly popular. There is a tremendous pressure on the State to meet this kind of condition. Recognizing this, the beautification program, for example, is keyed to this and it is pretty powerful medicine. But with respect to less accepted Federal programs, insistence upon a considerable condition could very well jeopardize the program in most of these States.

Mr. BRIDWELL. Well, I suppose that that is possible, Senator Muskie. you will recall that when the Highway Safety program was enacted by Congress, there was a similar provision written in—when I say similar, I mean similar to the beautification program—that provided the so-called penalty provision. And there was some discussion among the States of, well, is it worth it? In other words, would it be less expensive for us to ignore the highway safety program and just assume our 10-percent cut?

I do not expect any State, not one single State to adopt that attitude, for a real good reason, that in the wisdom of Congress, all of these programs are wise and are needed and I cannot believe that any State is going to take the position that it does not want any part of these programs simply because of the conditions imposed.

Senator MUSKIE. The Congress thought the defense highway system was so wise and so important that it provided that the Federal Government pick up 90 percent of the cost.

Senator Baker suggested that the word should be "costly", not "wise."

In other words, the Congress feels if the objective is important enough, in order to increase the objective, you increase the share of the Federal participation.

You indicated that the relocation problem is an important one. I believe there will certainly be delays to full implementation of the relocation program by all of the States. So it seems to us that it is better, considering the urgency of the problem, that we provide a larger percent of Federal money. Certainly it is not that much, as you indicated, in proportion to the total cost of the projects. The State highway commissioner of Maine tells me that although the division of the costs between the Federal Government and the State on the defense highway system was 90 to 10, as a practical matter, because there are many costs which were not subsidized, it is usually something less than 90 percent for the Federal Government, something more than 10 percent for the States. So we are talking about elements of cost that fall within that range, I think. If that is the case, I see no reason why we ought not to fund this. It is easily within the capability of funding. I think the net Federal share in my State would still not exceed 90 percent of the cost of the defense system. Is that an inaccurate analysis?

Mr. BRIDWELL. Well, let me break that down, if I may, Senator, into two or three parts.

One, I think perfectly obviously, there are many instances in which a precise breakdown of cost does not turn out to be 90 to 10 for a lot of peculiar reasons appropriate to a particular project.

Senator MUSKIE. It tends to become a pattern year after year.

Mr. BRIDWELL. I would not think that that percentage would vary in any significant way. I suspect that one of the factors which influences these statements to you would be the necessity that in connection with an interstate system project but not a part of it would be the necessity of upgrading, reconstructing feeder roads to the system. Now, certainly, that is not eligible for 90 percent Federal participation. If it is on the Federal-aid system, it is eligible for 50–50 participation. And of course in many cases, the connecting roads are not on any Federal system, so it is a 100 percent State or State and local responsibility. Yet to make the system work well, these feeder or connecting roads must, in many instances, be upgraded, in some cases reconstructed. So if they are taking those kinds of costs into consideration, then certainly it would be less than 90 to 10.

But it is very unusual for us within the rights-of-way, if I may put it that way, of a Federal-aid interstate project to disallow any features which would then raise the relevant cost to the State.

And of course, you are aware of the public lands sliding scale in which some States receive more than 90 percent.

Senator MUSKIE. I am really not complaining about the fact that this additional cost to the State changed the 90 to 10 ratio. I might have to make more specific instances. But that was not the thrust of my question.

You mentioned the fact that what we are talking about here in the highway program is a $40 million——

Mr. BRIDWELL. I believe my testimony, Mr. Chairman, was that 55 percent of the displacees are associated with the interstate program and 45 percent from others. And of course, under the proposal——

Senator MUSKIE. The figure I am looking at is this: The Federal Government spends annually $4 billion in the Federal-aid highway program. Now, 1 percent of that is $40 million.

You talk about a $173 million cost; that is 4 percent. As I recall, I think 4 percent is a greater variation than my highway provision suggested, because it is half of 90–10, or 50–50. Incidentally, I might say that that $173 million estimate that you give is much greater than the one given to us by the Advisory Commission on Intergovernmental Relations. I think it was twice their estimate for the cost of all programs under the act. I wonder if you would check your figures with the Commission's so we may have as firm a figure as possible?

Mr. BRIDWELL. Yes, we will be glad to do so, Senator.

(The material referred to follows:)

Question

Senator MUSKIE. "I might say that that $173 million estimate that you give is much greater than the one given to us by the Advisory Commission on Intergovernmental Relations. I think it was twice their estimate for the cost of all programs under the Act. I wonder if you would check your figures with the Commission's so we can have as firm a figure as possible."

Response

Our estimate of the annual cost for the highway relocation provisions of S. 698, with the modifications suggested by the Administration, includes the following items:

	Millions
For replacement housing assistance (21,000 eligibles averaging $3,500)	$75
For rental assistance payments (38,000 units averaging $500)	19
For cost of transferring property to the State (56,000 units average $250)	14
For business relocations in excess of amounts recommended in Highway Relocation Assistance Study	+5
For recommendations of Highway Relocations Assistance Study	60
Total	+173

These costs should decline in the next several years as land acquisition for the Interstate System tapers off. This estimate is considerably higher than an estimate of costs given by the Advisory Commission on Intergovernmental Relations. Their estimate of relocation costs due to highway construction was about $33 million per year. The difference between the Federal Highway Administration estimate of $173 million and the $33 million apparently results because:

1. Our estimate includes the expected costs of the recommended expansions of the relocation provisions offered by the Administration.

2. Our estimates are based on estimated displacements for the 1967–1970 period received from the 50 states. We understand that the Advisory Commission on Intergovernmental Relations' estimate is based largely on actual 1967 fiscal year displacements.

The individual who made the calculation for us is not with us here in the hearing this morning. But we did check the point of how we arrived at that total figure. It is based upon a projection of actual cases; in other words, taking actual case experience and then applying it to our estimate of the 168,000 persons, families, businesses, nonprofit organizations, and farms to be displaced. So it is our obvious belief that it is a reasonable and reasonably accurate estimate of costs.

We are not raising the point, however, Senator, so that the record will not be confused, that this is too much money or that 1 percent or 2 percent or 3 percent is too much money. I rather would put it on the basis of the viability of a program, the realistic administration of a program where the Federal Government picks up the entire cost.

Senator MUSKIE. Well, certainly your position is not unreasonable. I do not suggest that. It is a perfectly reasonable proposition that the costs of this item be shared to the same degree that other costs are.

The response of those of us who are concerned with the bill to the opposition is that we think it is necessary because of the reluctance of the States to rise to this challenge, that because of the very severe human considerations involved, 100 percent Federal funding can be justified. Reasonable men certainly can disagree on that. I cannot even predict how our committee would divide on it, if at all. But I thought we ought to explore a little bit in the testimony here and give you a full opportunity to express your opinion.

I understand it fully, I think. Again, I do not consider it an unreasonable point of view, but I still may disagree with it when we are through.

Senator Baker.

Senator BAKER. Just for the sake of a thorough understanding of the reasons and justifications for your recommendation on the cost-sharing, I would like to run over it again, if I may. But before I do, I would like to ask you, is it within your contemplation that moving costs would be an element of damages and would be subject to litiga-

tion like any other element of damages under the present form of the bill?

Mr. BRIDWELL. Senator Baker, I have not really focused on that particular question prior to this.

Senator BAKER. I realize your statement said you were directing your attention to title VIII, and I apologize for giving the appearance of trying to put you on the spot.

Mr. BRIDWELL. That is perfectly all right.

Senator BAKER. On page 37, which is in part (f) of title VIII, it does state that all functions performed under this section shall be subject to the operation of the act of June 11, 1946 (60 Stat. 237), as amended:

> Any displaced person adversely affected or aggrieved by the operation of this section after the effective date of this act may institute in the district court of the United States for the judicial district in which such claimant resides or in which such claim first arose an action for the review of such determines.

I assume that this means the amount of moving costs would be subject to litigation, like every other element of cost. But what I really want to know is what your view is about the propriety of having the moving expenses subject to judicial review?

Mr. BRIDWELL. I understand, Senator, and as I say, I have not focused on this particular section of the bill prior to this.

My reaction is that it is not necessary to make this particular process subject to a review by appropriate legal means. We are taking the position that under our bill, this is an administrative activity in which we are participating in the payment of full costs and the only requirement is the documentation of the costs experienced that this is consistent with the rest of the operation of the Federal-aid highway program.

Senator BAKER. Would you agree that the cost of making one whole, which after all is the function of the moving allowance, ought to be included in the assessment of total damages by any jury trying the case in any litigation?

Mr. BRIDWELL. I think we look on this, Senator, as separate and distinct from the operation of the eminent domain proceedings in which, if a negotiation is not achieved, then of course, it is a matter of court determination. But we believe that this relocation assistance program is not directly a part of eminent domain action.

Senator BAKER. Would you agree with the general proposition that the thrust and objective of equitable eminent domain legislation should be to prevent one involuntarily displaced from his property from being less than whole after the taking and completing the compensation payment?

Mr. BRIDWELL. In a philosophical context, no, I would not dispute your statement; or conversely, I would agree with your question.

Senator BAKER. I am sorry, sir?

Mr. BRIDWELL. I say that in a philosophical context, I have no problem with the import of the question.

Senator BAKER. Of course, the bill as presently written, dealing with a full 100-percent share of the first $25,000, I understand, follows generally the urban renewal formula. Can you tell me now some elaboration of your preference for the highway formula over the urban renewal formula within the framework of that general philosophical concept?

Mr. BRIDWELL. I believe, Senator Baker, that it is our feeling that assisting a displaced individual—family and so forth—in finding a replacement structure is just as much a part of a highway project as any other activity within that highway project and that it should not be treated separately and distinct from other activities within that project and the meeting of Federal criteria. These are engineering criteria and many other criteria which have very important sociological and economical interests and overtones.

Senator BAKER. Senator Muskie, I think, put the question, is it not so that the States have not really performed very well in this field of displacement assistance and the like? Might the States not perform better in your view of they were entitled to a 90-percent contribution across the table in the allowance of moving expenses?

Mr. BRIDWELL. Well, of course, under our suggestion, Senator Baker, for those families, businesses, et cetera, who are displaced on an interstate project, the State would be eligible for a 90-percent reimbursement.

In other words, a replacement cost is like any other cost, so it would be 90–10 or 50–50, according to the type of project involved.

Senator BAKER. The question I am getting at is do you see any apparent built-in reluctance or resistance on the part of the States to the making of moving cost payments, other than the economic factor?

Mr. BRIDWELL. I think I have to answer the question honestly, Senator, by saying yes and no. The yes part is that there is some resistance; again, not philosophical resistance. It is much more pragmatic resistance because State highway departments are not trained, experienced, and practiced in this kind of activity and some of them are reluctant to undertake it because they consider this a field foreign to the engineering portions of constructing a highway.

I frankly would have to say that I am disappointed that under the 1962 act, there are still some States that are not taking advantage of the provisions of that act, inadequate though it may be.

Now, the other side of that is that some States do a really excellent job, a thoroughly good job. In some instances, the State highway department does it itself; in some instances, it contracts with a local agency, usually the redevelopment agency, that also handles relocation assistance under urban renewal and other federally aided programs. I think it is pretty hard to come up with any kind of consistent pattern and say the States generally do or do not perform well.

I would add two points to this. One is that as you are probably aware, the Federal-aid highway program, to a very heavy extent, operates under State law, so the States also are either aided or constrained by their own State law.

The second factor that I would like to mention is that some of the States have complained or, in another sense, have requested us to seek improvements in what we are able to accomplish under the 1962 act.

Senator BAKER. One last question, Mr. Bridwell or Mr. Turner. Are you prepared to say today, and if you are not, I fully understand, but are you prepared to say today whether or not you will support a proposal that would allow moving costs, relocation costs, without an arbitrary limitation as to amount, as a part of the award in the course of litigation in the eminent domain proceeding? These costs would be borne on the formula now applicable to highway and interstate high-

way programs—that is, 90–10—the objective being to make the involuntary seller no less than whole after the move is consummated.

Mr. BRIDWELL. I would like to, if I may, Senator, and if it is agreeable with the chairman, respond in the following way: I would like to provide an answer to that question for the record, but to discuss it a little bit now in very general terms.

The problems associated with relocation or, I think the problems associated with displacing persons and businesses, have been a feature of the Federal-aid highway program that has probably distressed me as anyone that I have to deal with, or that Frank does or any of our colleagues. The concept of making a person whole to me is eminently fair. As a matter of fact, I think justice in the ordinary way that I understand justice requires that you make a person whole.

We have found extreme difficulty in trying to put down on a piece of paper in black and white how you accomplish this. For example, and I tried to sort through examples to test various ways, either by establishing criteria or by attempting to adopt procedures, how you accomplish this. And I do not know how you can handle such things as the elderly couple who have a fair-sized residence, they are retired, they may have a very small pension or may be living on social security and they supplement their income by renting rooms.

Now, under fair market value, they are not going to be able to find, probably are not going to be able to find, another residence in which they can live in this same pattern. I am not sure that the supplementary payment of up to $5,000 would be significant in that kind of a case at all, because it may very well be that fair market value translates into another residence that is decent, safe, and sanitary by anyone's criteria. Yet they have lost this very important ingredient to their happiness and livelihood; namely, the income from renting two or three rooms.

If on the other hand, you try to figure out how do you go to a system in which you guarantee replacement—well, it get a little bit silly to think about replacement in the sense of reproducing a house, particularly many of the kind that we buy in the highway program, which was built maybe back in the late 1800's or the early 1900's, in which they were large houses with many rooms and large rooms. It would be completely inappropriate to try to reproduce now that type of structure. So how do you get at this kind of thing?

We are not unmindful of it and we are not unsympathetic; exactly the opposite. We are very sympathetic and we just frankly are not smart enough to figure out how you do it.

Or let me give you another example. Whether we like it or not and whether we may say that it is completely unjust, the fact is that for certain people to move into a certain kind of neighborhood, realistically, they pay more for a house than some other people would have to pay. If we come along and take that house at fair market value then it is not being unrealistic at all to believe that we will pay an amount substantially less than that individual paid to acquire the property, maybe only a short time ago. The practical effect is that he may get enough, for example, to pay off his mortgage but not have a dime left over to show for what he believes to be his equity or a dime left over to result in funds for a down payment on a replacement house.

Now, we can come up with all kinds of statistics and we can come up with all kinds of firm criteria and the human vagaries involved in this kind of situation, we frankly are not smart enough to cover all of. At least I know we have not been able to.

Now, that is a long, long way to go about answering your question, but the answer is certainly justice requires that you make a person whole. But how do you do it in our kind of system where we live by laws and we live by administrative criteria promulgated and then we try to require people to systematically follow this.

Another arm of Government says if you write that criteria, you have to follow it, or the person receiving Federal-aid has to follow it. So these are the kinds of problems that are real. They are here, right today. We have to deal with them. We need without question better tools to deal with them.

But I cannot sit here and honestly tell you that your bill or what the Budget Bureau suggested or what we are saying today is going to provide the kind of mechanism in which we can handle all these questions, because I honestly do not believe we are doing them.

Senator BAKER. Mr. Bridwell, I thank you for the elaboration. May I say now that I feel that you and Mr. Turner and your Bureau have been most sensitive and keenly attuned to problems in this field and have done an extraordinarily good job. I agree with you; I think you need better tools.

I also agree that the identification of just compensation is difficult. But I think these bills and the adjustments which are being considered by the committee are to do precisely what you suggest; that is, sharpen the statutory language so that we have more of an approximation with which to do justice than we do by some abstract legal compensation like fair market value. I think if you wish to make a more detailed answer later on, you may, but I share with you the concern that we have to find better ways to go about this.

Mr. BRIDWELL. Senator, without being able to define, without being able to suggest any specific language, I would only make the comment that somehow into this system, regardless of which particular bill is passed, there has to be some kind of flexibility. And in the final analysis, in this kind of an area, we have to allow a little bit more discretion or a little bit more trust in the person actually handling these cases individually than our system normally would allow.

In other words, writing law or writing administrative criteria or procedures which are uniformly applicable throughout the Nation and in all States and to apply to all cases flies flat in the face of the kind of human vagaries which anyone in an administrative agency and involved in this kind of program can cite, instance after instance.

Senator BAKER. May I interrupt just a second? I refer to the extended flexibility which this bill offered and I wonder if you care to make suggestions on how we might give you greater flexibility in order for you to meet the requirements of just compensation. If you do, would you submit suggestions to be considered later?

Mr. BRIDWELL. We will sure try, Senator, because we are equally concerned about it.

Senator MUSKIE. The question is to what extent can you anticipate all of the conceivable hardship cases that the project may generate.

Secondly, to what extent can you generalize each of them and the objectives of these criteria? Man has not yet measured up to that kind of situation. I do not know if he is going to. I would welcome anything you have to offer in accordance with Senator Baker's suggestion.

In your statement you have indicated support for the $5,000 supplemental payment on the taking of a home over and above its fair market value. Is it really necessary to put a $5,000 ceiling on it?

Mr. BRIDWELL. May I respond in the context of my personal opinion?

Senator MUSKIE. Yes.

Mr. BRIDWELL. No; $5,000 has not the slightest thing to do with it. The key to it is how you define "decent, safe, and sanitary."

Senator MUSKIE. Would you give any guess as to how much you would add to the cost if you eliminate the ceiling?

Mr. BRIDWELL. Well, as long as you tie the two things together, you do not add anything, because I believe the words used here are "decent, safe, and sanitary" by modest standards, or something to that effect. The cost goes up or it goes down or it is some place in the middle according to the criteria of what constitutes "decent, safe, and sanitary."

If, for example, you use the definition as used in the 1960 census, then there are not going to be very many cases in which you even use the $5,000. If, on the other hand, you define "decent, safe, and sanitary" in the sense of a dwelling that each individual in the family must have a decent bedroom and a decent bath, then it is perfectly obvious that the cost is going to go sky high. Those are the ridiculous extremes. So the $5,000 per se is not really a meaningful criterion. The critical element in the phraseology is decent, safe, and sanitary by modest standards.

Senator MUSKIE. The $5,000 figure strikes me as representing an excess of caution by administrators who are concerned about open ended commitments. But I can understand this origin. I do not criticize it. It really strikes me that it is kind of a hard and arbitrary line you can draw between justice for one group and injustice for another.

Mr. BRIDWELL. I think it goes back to the same problem that is a philosophical problem, Senator, that we have either discussed directly or worked around the edges of. It is this problem that in our society, we require or it has been our practice certainly to require very specific kinds of law, administratively established criteria, and procedures. Then somebody else comes along and says, "Ok, now, this is what you said you were going to do and how you were going to do it." Then they check very carefully to make sure that you did it that way.

Senator MUSKIE. One of the reasons you do it that way is so that Congress can have something to raise hell about with the Department.

I have one more question the staff has prepared. I think, rather than take the time to read it, since it is a two-page question, I will submit it to you.

It asks, for example, after the rhetoric, for all the rules, regulations, and other instructions related to relocation programs in the Federal-aid highway program, including bringing up to date the data on State programs contained in the recent highway report; secondly, provide separate information with respect to all negotiations and other matters pertaining to land acquisition and so on, and the value of acquisition; and thirdly, provide us with samples of specific cases involving

land taking as worked out by the staff to show us the original offer of the purchase, the amount offered when the case went to the court and the amount the court awarded.

I think that kind of information will be useful in the record.

Mr. BRIDWELL. We will be glad to provide it for the record, Mr. Chairman, and I will have my associates in the office get in touch with your staff to work out the specific types of information you want.

Senator MUSKIE. Thank you, very much, gentlemen. I appreciate it.

Mr. BRIDWELL. Thank you.

Senator MUSKIE. I understand we are going to have a vote about 11:15 and it is now about 11:15. We shall at least call our next witness to the table. If we have to leave, excuse us for a few moments.

Our witness represents the Department of the Army, the Chief, Office of Engineers, Mr. Loney W. Hart.

Mr. Hart, would you identify the men with you?

STATEMENT OF LONEY W. HART, CHIEF, LEGISLATIVE SERVICES OFFICE, DIRECTORATE OF REAL ESTATE OFFICE, CHIEF OF ENGINEERS, ACCOMPANIED BY ROY MARKON, CHIEF, ACQUISITION DIVISION; HENRY V. SAUNDERS, ASSISTANT CHIEF, MANAGEMENT AND DISPOSAL DIVISION; MARK S. GURNEE, CHIEF, OPERATIONS DIVISION; AND THERON C. RILEY, PLANNING DIVISION

Mr. HART. Mr. Chairman, members of the committee, I am Loney W. Hart, chief of the Legislative Services Office, Office of the Chief of Engineers, Department of the Army. The Department of the Army has been designated as the representative of the Department of Defense for this legislation. I represent the Department of the Army for that purpose.

I might say I have with me four members of the Corps of Engineers, also, Mr. Roy Markon on my right, who is Chief of the Acquisition Division of the Chief of Engineers; and Mr. Saunders on my left, who is Assistant Chief of the Management and Disposal Division. At the conclusion of my statement, they will be available to answer detailed questions in their respective fields by your committee.

Senator MUSKIE. Thank you very much.

Mr. HART. I have a prepared statement which I would like to present to the committee. This statement is respectfully submitted as constituting the views of the Department of Defense on S. 698 as requested by this committee.

The purpose of this bill is to achieve the fullest cooperation and coordination of activities among all levels of government. Provisions are made to: (*a*) improve the administration of grants-in-aid to the States; (*b*) permit provision of reimbursable technical services by the Federal Government to State and local governments; (*c*) establish coordinated intergovernmental policy and administration of grants and loans for urban development; (*d*) provide for periodic congressional review of grant-in-aid programs; (*e*) authorize the con-

solidation of certain grant programs; (*f*) provide for the acquisition, use, and disposition of land within urban areas by Federal agencies in conformity with local government programs; (*g*) establish a uniform relocation assistance program, and (*h*) establish a uniform land acquisition policy for direct Federal and federally aided programs.

The Department of the Army, on behalf of the Department of Defense, is generally in accord with the major objectives of the bill as stated in its title. The need for cooperation and coordination of activities among all levels of government has assumed increasing importance in recent years. This is most evident to this Department with respect to the civil works program administered by the Corps of Engineers. In this connection, interagency coordination has long been established as a prerequisite to the comprehensive planning and development of the Nation's water resources.

The provisions of this bill for the most part pertain to Federal grants-in-aid and federally assisted programs which do not materially affect the responsibilities of this Department. As to these, it is proposed to comment only briefly. The major interest of the Department of Defense relate to the provisions of titles VIII and IX which will be discussed in detail.

Title I sets forth definitions of various key terms referred to throughout the act. These, in general, appear adequate except as to "displaced person." Subsection (5) of section 113 appears to be a catch-all definition to include all persons displaced who are not included in any other definition. However, the proviso excludes all tenants or licensees who are required under their agreement to remove their property at their own expense. Taken literally, this would exclude practically all tenants and licensees, since the normal lease invariably contains such a provision. The intent of this proviso is not clear. Accordingly, it is recommended that either this proviso be deleted or that a more definitive clause be substituted.

Title II deals with the grants-in-aid of the Federal Government. The Department of Defense defers to the views of the agencies responsible for the programs which would be directly affected by the provisions of this title.

Title III would authorize Federal agencies to provide specialized or technical services to State and local governments on a reimbursable basis, pursuant to rules and regulations to be established by the Bureau of the Budget. The authority granted would be in addition to, rather than in lieu of, existing authorities. The Department of Defense has no objection to this title.

In title IV, the apparent intent of section 401 is to insure that all Federal agencies involved in urban activities shall give adequate consideration to the tenets of good planning. The President would be authorized to establish rules and regulations to this end. The Department of Defense assumes that the provisions of this section would apply to only those projects, programs, and facilities to be located within urban areas or to be undertaken as integral components of urban area plans. This would seem to be a safe assumption, in view of the fact that the President already has adequate authority to estab-

lish any rules and regulations required to insure the proper planning of nonurban public works. For example, policies and standards for water resources development activities are established pursuant to the provisions of the Water Resources Planning Act of 1965, and it is obviously not the intent of section 401 to supplant the requirements of that act.

Section 402 would indicate it to be the intent of Congress that Federal loans, and grants-in-aid shall be made, in general, to "units of general local government," rather than to "special-purpose units." In carrying out the civil works program of the Corps of Engineers this Department finds it desirable in many instances to work with interstate compact commissions, metropolitan water and waste disposal districts, conservancy districts and other such entities, and it is assumed that it is not the intent of section 402 to require the abandonment of the traditional relationships in programs other than those in which Federal grants-in-aid are made available for activities to be carried out within urban areas or as a part of urban plans.

Title V would provide that all future programs of grants-in-aid from the Federal Government to two or more States or to their political subdivisions, for which no expiration date is specified by law, shall expire not later than June 30 of the fifth calendar year which begins after the effective date of the enactment of such program. In addition, title V provides a specified means of congressional review and oversight and for continuing studies in grant-in-aid programs by the Comptroller General, and upon request of the appropriate congressional committee, by the Advisory Commission on Intergovernmental Relations.

The majority of the grant-in-aid programs administered by the Department of Defense, which include direct research grants authorized by Public Law 85–934 (72 Stat. 1793), are excluded from periodic congressional review by the language of this bill. Since the provisions of title V would apparently have no material affect on the military departments, the Department of Defense defers to the views of the other Federal agencies more directly concerned.

Title VI would provide certain authorities to the President for the purpose of consolidating grant-in-aid programs. This title concerns primarily programs under the jurisdiction of other Federal agencies, and accordingly, the Department of Defense defers to the views of those agencies.

Title VII would amend the Federal Property and Administrative Services Act of 1949, as amended, by adding a new title—"Urban Land Utilization". This prescribes a uniform procedure to be followed by the General Services Administration in respect to acquisition, change of use or disposal of real property located within urban areas. In general, it would require that such actions be consistent, to the greatest extent practical, with the local zoning, planning, and development practices. Since a change in use of military property, even where this involves curtailment or closure of an installation, would normally be accomplished by the Department of Defense without any action on the part of the General Services Administrator, the restrictions imposed by the title would not, in most cases, impede the operations of this Department. For this reason, the Department of the Army, on behalf

of the Department of Defense, defers to the views of the General Services Administration.

Senator MUSKIE. Before you get to title VIII, which I think we will discuss at some length, I would like to return to your discussion of the definition in section 113, which you interpret as excluding all tenants or licensees who are required under the agreement to remove their property at their own expense. I think that subsection 3(a) and (4) certainly covers tenants as well as owners. It seems to me that your comment really had to do with the proviso at the very end of section 113.

Mr. HART. This is true. Actually, Mr. Chairman, it was the proviso that seemed to cause the confusion. Without the proviso, there would be no problem. That is why we recommended deleting it.

For instance, in other sections of the bill, we deliberately provide for tenants and in connection with the acquisition and payment for improvements of tenants. Now, this is what really generated the so-called railroad lessee problem, because the licenses of these people on the railroad rights-of-way had a provision which stated that upon termination of the license, you must remove all of your improvements within 30 days. Well, this is one of the conditions which this bill was desirous of protecting and we just thought that this proviso would in effect almost knock it out.

So we were suggesting that really, the proviso be deleted and then I think everything would be clear.

Senator MUSKIE. This is the first time I focused on that proviso. I would gather that the staff intended it to cover people who store property on premises.

Mr. SMITH. It is the intent of this proviso to exclude from coverage as displaced persons, entitled to relocation payments and services, persons whose property is maintained on the premises of another under a leasing or licensing arrangement, such as a jukebox or vending machine firm, which would be obligated under the terms of the lease or license to remove the property from the premises. This definition has no connection with the provisions of section 903 which provide the basis for compensation of lessors for their property located on land owned by another, as in right-of-way cases referred to.

Mr. HART. Mr. Chairman, perhaps we can discuss it with the staff afterwards. I can only say that from the exact language there, it merely says the owner of property on the premises of another under lease. Generally, this would be our problem.

Senator MUSKIE. I would agree with your interpretation of that language standing by itself. I am glad you called it to our attention. It certainly should be corrected. It was not intended to be as broad in its effect as you fear it might be.

Mr. HART. This was only intended as a minor item of calling this to your attention, sir.

Senator MUSKIE. I understand, but it was rather startling. We had encountered that difficulty before and we thought we had taken care of it. This is why these hearings are useful.

Proceed, Mr. Hart, to title VIII.

Mr. HART. Title VIII would provide a uniform policy under regulations established by the President, for the fair and equitable treatment of owners, tenants and other persons displaced by the acquisi-

tion of real property in Federal and federally assisted programs. This policy is to be as uniform as practicable as to (1) relocation payments, (2) advisory assistance, (3) assurance of availability of standard housing, and (4) Federal reimbursement for relocation payments under federally assisted programs.

The Department of Defense subscribes to the principle of reimbursing owners and tenants for their expenses and losses resulting from dislocation made necessary by public works projects, and also to the desirability of establishing uniformity of procedures to the extent practicable.

The military departments, since 1951, have administered a similar program pursuant to section 2680 of title 10, United States Code. This authorizes payments to displaced owners and tenants for actual expenses, losses and damages incurred as a direct result of moving by reason of the acquisition of their property; total payments are limited to 25 percent of the values of the land acquired. The experience of this Department is that this law accomplishes the objective of affording reasonable financial assistance to displaced persons.

Title VIII would, in effect, expand the existing requirements to place primary responsibility on the acquiring agency to provide all forms of social and economic relief. The imposition of the collateral requirements by this proposal might, as a practical matter, often result in costly delays or preclude the accomplishment of land acquisition programs to meet defense missions. However, it is the view of this Department that title VIII, while administratively burdensome, presents a workable system, provided it is amended in certain aspects. Comments will be confined to those sections recommended for modification.

Section 802(b) provides that under certain circumstances, a displaced person who moves or discontinues his business may elect to accept an optional payment of up to $5,000. We understand that the intent of this optional payment is to cover both (1) the cost of moving, and (2) a readjustment allowance payment to assist small businesses in making up for the economic impact of displacement.

If this is in fact the intent, we recommend that section 802(b) be revised to treat these two purposes more clearly by providing for two separate payments; one for actual moving expenses and one for economic readjustment. Accordingly, section 802(b) should be amended as follows: Delete the first sentence in section 802(b) beginning on line 19, page 33, with the word "If" and ending on line 2, page 34 with "lesser." Substitute the following for this sentence: "In addition to the payment authorized by subsection (a) of this section an additional payment is authorized for any displaced person who moves or discontinues his business: *Provided*, The average annual net earnings of the business are less than $10,000 per year. This payment shall be in an amount equal to the average annual net earnings of the business or $2,500, whichever is the lesser.".

Section 802(c)(3) provides that an additional payment of $300 be made if the displaced person purchases a dwelling as his residence within 1 year from the date of displacement. This is an optional lump sum payment to cover closing costs and miscellaneous expenses for the acquisition of a replacement dwelling. The amount is not considered unreasonable in view of current market conditions. It is an item

which this Department, under existing regulations, allows not only as to dwellings, but also as to replacement in kind of all types of real property.

Section 802(f) would make all functions performed under section 802 subject to the provisions of the act of June 11, 1946, and to judicial review. The primary purpose of section 802(f) is to give recognition to the principle that the payments authorized by section 802 should be viewed as rightful compensation of persons displaced by Federal programs. The need for this provision would appear to be more theoretical than practical. The Department of Defense has during 17 years administered thousands of applications for payments for relocation costs under its broad authority (10 U.S.C. 2680) with a negligible number of appeals from displaced individuals to the Department. We believe that the objective of this provision can be achieved by making clear that the provisions of section 802 as regards relocation payments would represent congressional policy and that the heads of agencies would be responsible for its faithful execution. For the language now in section 802(f) we recommend substituting: "Any person aggrieved by a determination as to eligibility for a payment authorized by this section, or the amount of a payment, may have his application reviewed by the head of the agency, whose determination shall be final, and no provision of this section shall be construed to give any person a cause of action in any court."

Senator MUSKIE. May I ask this question? You say the need for this provision would appear to be more theoretical than practical. Do you intend to indicate by that observation that, in your judgment, it would be little used?

Mr. HART. Our intent is to point out that from our experience, we do not think it would be really necessary. We do not believe there would be that many disputes. Of course, under our present authority, we pay for actual expenses incurred. These are realistic figures and they can be proven or documented. We have taken a very liberal view in our regulations as to the items covered. We have endeavored to cover practically all actual expenses.

Now, of course, these do not include, as we now might have, intangible or indirect damages that a person might suffer, but only any actual moving expenses. So as an illustration, we have checked just recently our last 2 years of figures and in some 3,900 applications for payments that have been processed, we have only had 47 actual, you might say, appeals and these were not all appeals per se. That included requests for guidance from the field offices, it included inquiries as to whether things could be allowed. Actual disputes, we have had relatively very few. So in this case, we think that you do not actually have to have a judicial review, or rather, if you had, there would not be too much requirement.

Senator MUSKIE. The reason I put the question as I did is that it would not be as easy as you may think to eliminate this provision of the bill. It was certified in the last Congress as a result of very strong representation by a member of this committee. It would be difficult to eliminate it, so I wanted to know to what extent would it be used. Would it be burdensome, would it flood us with a long line of litigation? Is it the kind of thing that perhaps might be salutary by its presence in the bill?

Mr. HART. If I may just make a comment, Mr. Chairman, in our what we call Resettlement Act, there is not such a provision, of course, for judicial review. The question might come up as to, if there were, might that not be an incentive further to encourage that, whereas when you are dealing with strict factual evidence as to cost, your issues are more clearly defined. In this case, if it were set up as a judicial review and everything would be tried de novo, there is no telling where it might end.

Certainly the implications as to the Administrative Procedure Act, if this were developed to its fullest extent, would become extremely burdensome by reason of the details involved, whether they were appeals or not.

Senator MUSKIE. I suggest you may wish to exercise your persuasive powers with the other members of the committee.

I have to go vote, but I will be back as soon as I can. I am glad you have gone as far as you have in your testimony. I think we can proceed fairly expeditiously when I return.

(Recess.)

Senator MUSKIE. Proceed, Mr. Hart.

Mr. HART. Section 803(a) provides that each acquiring agency shall establish a relocation assistance program offering services enumerated in subsection 803(c) for both displaced persons and others occupying adjacent property deemed adversely affected. While the need for such services is fully recognized, there exist many agencies at all three levels of government which specialize in the various essential assistance programs and which have trained personnel to perform such functions. It is the preference of this Department that the primary responsibility for providing these comprehensive economic and social assistance programs remain within those agencies currently equipped to handle the same.

In any case, the expansion of these assistance programs to include persons occupying adjacent properties is considered impractical to properly administer in view of the innumerable and variable factors essential to a determination of adverse effect resulting from a specific project. Accordingly, it is recommended that the last sentence of section 803(a), beginning with the word "If" on page 38, line 18, be deleted.

Section 803(c) enumerates and describes the services and assistance programs to be provided. In order to assure flexibility and consistency with other administrative provisions of this act, it is recommended that this subsection be amended on page 39, line 6, by inserting after the word "include" the words "to the maximum extent practicable."

Section 803(c)(2) would require Federal agencies to assure the availability of adequate substitute dwellings within a reasonable period prior to displacement. It also provides for a waiver of this requirement in periods of national emergency proclaimed by the President.

This Department views with great concern the serious impact the requirements of this section may have on Department of Defense programs. A strict interpretation of this provision appears to make mandatory that the acquiring agency actually provide or be satisfied that there is available decent, safe, and sanitary housing prior to displacement of individuals. Adherence to this condition could, in some cases, result in serious delay of urgent national defense projects. The Bureau

of the Budget, in recognition of this problem has recommended this provision be amended by deleting the balance of section 803(c)(2) beginning with "such assurance" on line 18, page 39, and substituting the following: "the President may prescribe by regulation situations when such assurances may be waived; * * *." This Department concurs with the proposed change.

Section 804 provides that when lands are acquired by a State agency for a Federal public improvement project, such acquisition shall be deemed to be an acquisition by the Federal agency having authority over the project for purposes of providing relocation payments, assistance, and assurances. It is assumed that the purpose of this provision is to assure relocation assistance for individuals displaced when local interests provide the necessary lands for Federal projects, as in the case of navigation and flood control projects. Under existing statutory authorizations, a prerequisite for initiation of a local cooperation project is that the local interests furnish, without cost to the Federal Government, necessary lands, easements, and rights-of-way. It has been the view of this Department that any cost expended for the displacement of owners and tenants in this connection was an incident to the land costs to be borne by the locality. The Bureau of the Budget has recommended this section be amended to place primary responsibility on the local interests. This Department concurs in this proposal.

Section 805 provides authorization to the President to make such rules and regulations determined necessary to carry out the provisions of the act and also prescribes minimum legislative guidelines. This Department is generally in accord with these provisions subject to clarification of the several subsections as hereinafter stated.

Section 805(a)(2)(A) stipulates that the displaced person is to be paid for actual and reasonable expenses in moving himself, family, business, or farm operation, and as to a farm, the expense of locating a replacement farm. No reason is apparent for limiting this benefit to farm operations. Therefore, it is recommended that this subsection be amended on page 42, by deleting the phrase "in the case of a farm operation" commencing on line 5, and by substituting "property" for "farm" on line 7.

Section 805(a)(2)(B) stipulates that if personal property is disposed of in lieu of moving it and is later replaced at the new location, the owner shall be paid an amount equal to the moving costs. The underlying objective of this provision is to authorize payment of the difference between the sale price and the cost of comparable replacement property, but not in excess of the cost of moving. However, as presently drafted, the owner would be entitled to an amount equivalent to the full cost of moving irrespective of any difference between the disposal and replacement amounts. Consequently, with respect to standardized items of property, they could invariably obtain an unwarranted windfall. It is recommended that this subsection be amended by deleting the remainder of the paragraph following the words "such property" on page 42, line 10, and substituting the following: "with comparable property at the new location at a price exceeding the sale price, the amount of the difference of such prices, not to exceed, however, the estimated cost of moving the property or its market value, whichever is less."

Section 810(*a*) would repeal existing laws relating to payment of moving costs and make the provisions of title VIII immediately effective upon the enactment of this act. This is highly impractical since it would leave all agencies without any guidance pending issuance of regulations pursuant to section 805. Additionally, many States will require enactment of enabling legislation for compliance with the act. It is suggested that a new section should be added to this title to provide for the effective date of this title. This amendment is necessary to provide sufficient time for the assignment of responsibility and for drafting of regulations for direct Federal programs and to allow State and local governments sufficient time to make necessary changes in their laws and possibly their constitutions to permit the agreements required as a condition of Federal aid. We recommend the new section 811 should read as follows: "This act shall become effective 180 days after enactment, except that sections 807, 808, and 810(*a*) (4), (5), (6), (7), (8), (9), and (10) shall become effective 3 years after enactment; *Provided*, That, commencing 180 days after enactment, the provisions of sections 807 and 808 shall be applicable with respect to any contract, grant to, or agreement with a State agency, where such State agency is able under State law or local ordinance to agree to the requirements set out in section 807(*a*) and the provisions of law governing relocation payments and assistance otherwise applicable to the provisions of Federal financial assistance to such State agency shall be superseded by this act."

Title IX would prescribe uniform policies for the acquisition of real property for Federal and federally assisted programs. This Department is in accord with the general objectives of title IX, which, for the most part, coincide with established policies. However, it is believed desirable to amend certain of these provisions for purposes of clarification, permitting greater flexibility and more fully protecting the Government's interest.

Section 901(*a*) (3) provides that prior to negotiations with landowners, the head of the Federal agency will establish a fair reasonable price for the property and make a prompt offer for the full amount so established.

It is understood that the intent of this provision is to assure that the acquiring agency will reimburse owners in an amount which is fair and reasonable, commensurate with the appraised value of the land, and arrived at through mutual negotiation. If this interpretation is correct then these provisions would not be in conflict with the present policy of this Department.

On the other hand, if the agency is to establish a fixed amount as the fair price for the property, and may not offer less, it may be equally inappropriate for the agency to voluntarily pay more than the fair price should the owner refuse to accept the fixed amount. This will result in reverting to a one-price policy, utilized by this Department prior to 1961. The current negotiation policy was adopted as a result of the enactment of section 301 of the Land Acquisition Policy Act of 1960. An opinion of the Department of Justice was that Congress intended for the Army to engage in actual, practical, and realistic negotiations, taking into consideration all of the flexible factors considered in normal transactions by a willing seller and a willing buyer. The objective of this policy is to acquire land at a fair

and reasonable price as that term has been defined by judicial decisions and legislative pronouncement. It is not intended to pay less than just compensation and no offers are to be made to landowners which, if accepted, would not be just and reasonable. This policy has received general public acceptance as being fair to the individual landowner and to the Government; and it has reduced, drastically, the necessity to revert to condemnation litigation in the Federal courts.

Section 901(a)(10) provides that if the acquisition of a part of a property will leave an uneconomic remnant, the entire property should be acquired. It is recommended this subsection be deleted. As a general rule, this merely reflects sound real estate practice whenever the amount of severance damages closely approximates the value of the whole. However, unless expanded to provide further guidance, implementation will be difficult. For example, who determines the remainder to be uneconomic? Is the basis of use the same or different? Is the acquisition of the whole property to be with or without the owner's consent and irrespective of the project need? Is the procedure the same for multiple ownership as for one owner? Is there any variance between direct purchase or condemnation? Because of the many variable factors involved, each case should be resolved on the individual conditions.

Section 901(a)(11) provides that any agency in fixing boundaries for a public improvement should take into account "human considerations" including social and economic effects on persons in the area. This subsection is so broad and tenuous in nature that it would be impractical, if not impossible, to develop feasible project plans and programs on such basis. It is recommended that this provision be either deleted or amended to more clearly define the purpose.

Section 903(a) would require any Federal agency acquiring an interest in land to acquire a like or greater interest in all buildings, structures, and improvements comprising a part of the real property which are required to be removed or which will be adversely affected by the public use. The intent of the requirement to acquire improvements "adversely affected" is not clear and does not appear to serve any purpose. It is recommended that subsection (a) of section 903 be amended on page 53, line 16, by placing a period after the word "land" and deleting the remainder of this paragraph.

Section 904 provides that an acquiring agency shall reimburse the landowner for all reasonable expenses incidental to the transfer of title to the Government. This Department has no objection to this proposal. However, accurate information is not always available at the date of closing. Accordingly, it is recommended that this section be amended by deleting "not later than" on page 55, line 3, and inserting the words "as soon as practicable after."

This concludes my statement, Mr. Chairman, and I will be pleased to answer any questions you may have on this matter.

Senator MUSKIE. I appreciate your statement and detailed comments, observations, and recommendations. We will study them all closely. I doubt that we can get into them all today.

With respect to the discussion of section 901(a)(10) on page 15, it provides that if the acquisition of a part of a property will leave an uneconomic remnant, the entire property should be acquired. You object to that as unrealistic. I do not see that it is any bigger or more

difficult to administer than the one you describe as a sound administrative practice; that is, that the full property be taken where the amount of the severance damage closely approximates the value of the whole.

We are both getting at the same problem. Obviously—at least it seems obvious to me—you consider it an equitable situation to acquire the taking, so the question is what is the best way to approach it. I think perhaps we both have clearly in mind the kind of situation that we are trying to get at. But I think closely appropriating the value may not necessarily reach all the inequitable situations.

Mr. HART. Our recommendation or suggestion, Mr. Chairman, was directed primarily to the fact that this may be considered mandatory. I think you are correct that we are both thinking of the same thing in connection with severance damages or where you take so much of the man's land that he cannot really use it for anything. Our policy has always been that not only for the sake of the owner, but also just for good business, in a severance damage case of taking a part, you are going to pay for the whole, so it has been our practice to acquire the entire tract to avoid the extensive severance damages.

On the other hand, when we read this, we are not really certain that this was meant to be mandatory, that we would have no discretion, because lots of times, we might be acquiring a piece of property and the owner—it may not be an economic unit, but maybe the owner desires to retain it. It might not be our desire at all one way or the other. If you read this strictly as a mandate, then regardless of the owner's desires, we would have to acquire it. This was all we were trying to direct attention to, that it should be flexible. I think you will find this runs through most of our statement.

Senator MUSKIE. If the bill requires it, it would result in an inequitable situation.

Mr. HART. That is correct. And I think if there is a severance, I think under the existing interpretation of the court on severance damage, we would be paying for the whole whether we took it or not.

Senator MUSKIE. It may be that in your administration of that principle, you have been more humanitarian than other agencies. We are trying to find a test here that will insure equitable treatment whatever the agency and program.

Mr. HART. Mr. Chairman, we are not objecting to the principle at all. We are only worried about whether or not there is room for both parties to have a say.

Senator MUSKIE. I understand. I think perhaps we ought to try to work out some language here. I do not think we are in disagreement as to the objective at all.

Mr. HART. I think, Mr. Chairman, that most of our recommendations have really been based on not in any way objecting to the policies or principles. It is a question strictly of administration, that we do not get ourselves boxed in so that in our desire to do it one way, we are unable to avoid equally inequitable situations. As was said in earlier testimony before me, we cannot foresee all of these situations; therefore, the Department of Defense basically has simply said, let us make the rules flexible. We will have uniform rules and regulations. Certainly within those rules, there is that latitude.

Senator MUSKIE. That is my feeling about the thrust of the testimony, Mr. Hart. It reflects a great deal of experience in this field and,

I think, humanitarian concern, so that we have recognition of that particular value.

Just one other problem I would like to touch upon. It is on page 11. This is with respect to navigation and flood control problems.

You have raised the problem that has really not occurred to me with respect to this question of 100-percent Federal funding of relocation costs. It runs counter to the policy which is stated there, of leaving these kinds of projects regarding land costs as a local contribution. Is that right?

Mr. HART. Mr. Chairman, I think that, I believe you are familiar with the navigation projects under your Rivers and Harbors Act. This requirement, I understand, has actually been in being since the 1936 Flood Control Act where we had what was loosely termed the ABC requirements, two of which are that the local interests will contribute lands, easements as required for the project, and No. 2, will hold the United States free and harmless from all claims.

Now, this is not really a grant-in-aid or something like that. It is really considered a contribution and has been more or less one of the underlying features of our local cooperation projects.

Senator MUSKIE. In effect, this bill would change the formula for sharing.

Mr. HART. It certainly would. It would, in effect—I do not presume to be getting in over my head. This is not my field. But it could affect the cost-benefit ratio. I have a representative of our Civil Works Planning Division here if the committee desires to explore it further.

Senator MUSKIE. We might at least invite a comment from him at this point.

Mr. HART. I have Mr. Riley here.

Senator MUSKIE. We will have a sufficient discussion of it in the record.

Mr. RILEY. I think Mr. Hart has explained it rather completely in that this is part of the cost that we normally require of the local people, which is in agreement with the Flood Control Act of 1936 as it has been amended. So it is really not a grant or an aid. It is a requirement which we feel local people should make toward the improvement which we are providing for their protection.

Senator MUSKIE. Do you make any effort to concern yourself with relocation problems that may be involved in the taking of lands in connection with test projects?

Mr. RILEY. This is a requirement that we ask the local people to do. They have the responsibility for it.

Senator MUSKIE. So you have never tried to second guess them or check them on it?

Mr. RILEY. No, sir; this is their contribution to the project.

Senator MUSKIE. Of course, the local interests could conceivably be ruthless about it. That is the question that is troubling me a little bit. Is there any role that you could play?

Mr. RILEY. We do have certain requirements or agreements with these only. This is the part that Mr. Hart might be able to explain, this particular portion of it, better than I could.

Senator MUSKIE. Do you have anything on that?

Mr. HART. Senator Muskie, I might say this in regard to the local cooperation projects. Heretofore, the Department of Defense, in our

previous reports, has not raised this particular issue and we have spoken to it now only by reason that the Bureau of the Budget has asked a similar question and asked us to bring it up.

Senator MUSKIE. The Bureau has submitted suggested language?

Mr. HART. Yes, sir; and we, of course, concur in it. I think our experience has been, why we have not been too concerned is that our navigation projects are primarily widening or deepening waterways. While on occasion, you might find someone living close enough to the bank of a waterway that they might have to move, in general, we have had very, very little requirement insofar as the relocation of people. Occasionally, you might find a business where there are piers or wharfs that might have to move out. But again here, on our navigation waterways on which we operate, we have normally established bulk headlines and pier headlines so that these structures, if they are within the channel, are generally already subject to navigation requirements, against obstructions to navigation, as you know. And they are at sufference if we allow them at all. So we just have not had too many problems.

However, I might go further and say the reason we have not had too many problems is these local cooperation projects take some time to have authorization. They have public hearings. The local interests in effect generate it and have to support it right up to Congress and to the Committee on Public Works. These problems are apparent. And when there are people displaced, obviously, this comes out in the hearings.

So normally, we have not in these types of projects had much trouble on the displacement of persons and local interests, to my knowledge, have had no real problem.

So from a real estate standpoint, and the Corps of Engineers directorate of real estate is responsible for these types of payments, we have had no real problems over, I know, the last 15 years, anyway.

Mr. RILEY. I might mention that in connection with these items of local cooperation, it has to be a legally constituted body of the State and the State laws would also tend to protect these particular people.

Senator MUSKIE. I think we will include at this point in the record the language of the rivers project, section 804, which is included in the context of the colloquy with the Bureau of the Budget as follows:

SEC. 804. Whenever real property is acquired by a State agency for a Federal public improvement project, the Federal agency having authority over such project may only accept such property in those cases in which the acquiring State agency has made relocation payments, provided relocation assistance, and provided assurance of availability of housing as required in the case of acquisitions of real property by a Federal agency, such payments and assistance to be considered a part of the real property acquisition cost.

Mr. HART. Thank you, Mr. Chairman. I did not put it in because I think my statement is a little bit long. However, since this is a Department of Defense report, I did try to make it a little more detailed, since we have not sent you a formal report.

Senator MUSKIE. It has been very helpful.

Senator Baker?

Senator BAKER. I have no questions, Senator.

Senator MUSKIE. Our next witness is Mr. Bettin Stalling.

I would like to express my appreciation to you for your thoughtfulness to the committee, your graciousness, and your patience in waiting.

TESTIMONY OF BETTIN STALLING, CHAIRMAN, COUNCIL ON COMMUNITY AFFAIRS, FBA, DISTRICT OF COLUMBIA CHAPTER OF FEDERAL BAR ASSOCIATION

Mr. STALLING. Mr. Chairman and members of the subcommittee, I appreciate the opportunity of being here to present the view of the council. My name is Bettin Stalling. I am a lawyer and I live in the District of Columbia. I should like to state some of the areas of my experience in real estate law, homeownership, and appraisals.

I served as counsel for the Appraisal Division of the Home Owners Loan Corp. and the Federal Home Loan Bank Board for approximately 5 years; and approximately 10 years as Chicago regional counsel for the Home Owners Loan Corp., which embraced 22 States. I served as chairman of the Illinois State Bar Association, section on real estate law, and chairman of the Real Estate Financing Division of the American Bar Association. I am a former national president of the Federal Bar Association and appear here on behalf of and as chairman of the Council on Community Affairs of its District of Columbia chapter.

Our council has given serious study to the various aspects of housing and this has involved a consideration of certain provisions of S. 698. The council has concluded that the critical housing situation is at the center of the present crisis in our city, affecting its welfare and safety. The Government's taking and threatened taking, for public use, the homes of owners who do not want to sell, is adding to the turmoil and trouble.

Senator MUSKIE. May I interrupt you, Mr. Stalling. That is another vote. I guess we had better go over and make it and come back.

(Recess.)

Senator MUSKIE. Mr. Stalling?

Mr. STALLING. I think I was on the last paragraph on page 1. I state that our council has given serious study to the various aspects of S. 698 and concluded that the critical housing situation is at the center of the present crisis in our city, affecting its welfare and safety. The Government's taking and threatened taking, for public use, the homes of owners who do not want to sell, is adding to the turmoil and trouble. Families are being uprooted and losses are occurring in ever increasing numbers. Most adversely affected, in plain and simple language, are the poor, the elderly, the disabled, and people wo do not have the knowledge and capability for learning and understanding their rights. The undeniable fact is that the Federal bulldozer has stirred up distrust and bitterness and racial tensions.

The council believes that widespread individual homeownership is a stabilizing and beneficial influence in the community. Homeownership develops a greater sense of civic responsibility. It gives the whole family a stake in the community. Individual homeownership is proclaimed by the Government as good for the citizen and good for the country. Since the Government has long promoted and encouraged its citizens to purchase and own their own homes, it is the obligation and duty of the Government to foster and safeguard such ownership. Homes are acquired by the poor at great sacrifice, sometimes by all the members of the family. It is important and vital to public confidence and trust in the Government that an owner forced to sell his home for

a public improvement be treated fairly, and be compensated justly. Clearly, he should be no worse off after the taking of his home than before. Equity and justice demand that the homeowner should be made whole in his social and economic affairs to the fullest extent practicable and legal.

The council considers the relocation assistance provisions of title VIII desirable and beneficial. Since any money received is subject to Federal income tax, unless exempted by statute, it is suggested that S. 698 contain an express tax exemption provision. This is to assure that the assistance which title VIII provides will be fully available for its intended purposes.

The council's chief concern is with section 902 which provides that "the fair market value * * * shall" be paid as compensation for properties puchased or condemned for public use.

The council believes that to make the fair market value the sole standard of compensation is unrealistic and unfair as applied to all homes. One of the basic rights under our Government is the right of private property. It is one of the most important rights guaranteed by the Constitution. The last clause of the fifth amendment reads: "* * * nor shall private property be taken for public use, without just compensation."

The council considers that the fair market value is but one of the indicators of just compensation, and should be weighed along with other evidences when determining just compensation.

The fair market value is an appraisal concept, determined by appraisers, and geared to the marketplace. It is arrived at upon the assumption that the particular home property is on the market. But an owner who does not want to sell his home, does not have his home on the market. This is not a situation of determining the amount a willing seller is justified in accepting and a willing buyer is justified in paying for a property on the market. There is no warrant to substitute an appraisal concept of fair market value as the constitutional equivalent of just compensation.

Since the fair market value is a technical appraisal valuation, the services of a real property appraiser must necessarily be engaged. The council observes that the practical operating effect of section 902 would be to place in the hands of appraisers the function of determining the compensation to be paid for all future properties purchased or condemned by all Federal agencies. The unique social and economic circumstances and affairs of a given family in a particular home represent values which appraisers do not include in their limited and technical formulation of fair market value. Many home owners will suffer losses and hardships beyond the assistance provisions of title VIII if the fair market value becomes the maximum compensation for the acquisition. Rather than constituting the maximum, the fair market value should be the minimum, for no one should have his property taken for less than its fair value if such property were on the market.

The council suggests that section 902 be amended to read as follows:

SEC. 902. If the head of any federal agency acquires real property for public use in any State or the District of Columbia, by purchase or condemnation, the amount paid therefor shall be a just compensation as the head determines to be legal and proper so that those whose property is acquired shall not be worse off in their social and economic affairs than they were before the property is acquired.

In conclusion, the cost of improvements for public use should include the amount necessary to put individual homeowners, whose properties are taken against their will, in as good a position as if their homes had not been taken. The expense of doing this constitutes an element of cost, to be borne by all citizens, as are other costs of improvements. This is but fair. And the Government must be the very symbol of fairness. To be otherwise means the Government will continue to lose, not gain, needed public support of its ever expanding improvement programs.

Gentlemen, thank you for the courtesy of allowing me to present the views of our Council on Community Affairs.

Senator MUSKIE. Thank you very much, Mr. Stalling, for your excellent statement.

Our final witness on the final day of these hearings, is Mr. Harry Graham, legislative representative of the National Grange.

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE OF THE NATIONAL GRANGE

Mr. GRAHAM. Mr. Chairman, I have a relatively long statement which has been prepared which I would like to submit for the record and try to summarize in less time than I would spend in reading it.

Senator MUSKIE. Fine. It will be included in the record in full.

Mr. GRAHAM. There are some parts of it that I think are particularly pertinent and some which are more or less a statement of fact, but it is generally a very real support of this proposed legislation and gratitude to those who have sponsored it, because this, in our judgment, is an attempt to right a long-existing wrong which we hear a great deal about.

I would say to our friends from the Department of Defense if they were here that they may not have any problems with their takings, but this does not correspond to my correspondence. Some of the people are having problems, to say the kindest thing that could be said about them.

This kind of problem starts when property has to be taken and especially when property is taken that has been in families for a long time, in determining their intrinsic values, and it becomes complicated when no compensating property is available. This frequently happens; not so much in the strip takings for highways as it is in the inundation takings for lakes and that type of project, where you move a whole community, or maybe three or four villages. Then you have a tremendous problem with social relocation, plus the problem of trying to find a comparable property when there is no comparable property. There is such a taking or a suggestion down in Kentucky, at the present time. We are having some correspondence on this, where they would take the most valuable land on all the forks of the Salt River and inundate it. Now, where a property owner could get comparable property in the State of Kentucky is a real problem.

So despite the fact that, as the previous witness pointed out, appraisers have certain rules and one of them is that the fair market price is when a man who is willing to sell but not forced to sell, agrees on a price with a man who is willing to buy but not forced to buy. Well, one of the four factors is absent in eminent domain. The man may not

be willing to sell. So a fair market price, to some extent, can be punitive in this situation.

Other factors come in of the taking of all the comparable property, the fair market price that would be established on the property before the taking began, which is the rule under which appraisers operate, is not possible to accurately determine. He cannot take into account any appreciation of the property due to the projected taking. And I worked for 5 years as a professional appraiser; I know what I am talking about on this subject. Our appraiser is very much bound by what he can do and what he cannot do at this point.

But this just is not adequate nor is it fair to the people who are involved. The previous witness pointed out some of the social implications. Please read what he said on this, because these social implications are pretty tragic sometimes, to say nothing about being important.

Therefore, there has to be another factor brought into this besides just a fair market value. Previously—it has been 5 years since I worked in this field—we were not allowed to make any allowance at all for moving expenses. We could work a little of it into the appraisal, hide it somewhere so the negotiator might have a chance at arriving at a settlement. But you could not itemize it as such. So the man who was being moved had no way of knowing there was any allowance being made for this.

I think the allowances for relocation are reasonable. I would question, though, the $5,000 limitation on this. I know one man who has been relocated three times due to highway takings—this is par for the course—once now from Philadelphia, another a little farther north in Pennsylvania, and the last time up into New York, where U.S. Interstate 81, took him out again. Well, you do not move a large farming organization—and this was a large operation—150, 200, or 300 miles for $5,000. It is impossible to do it. There should be some kind of basis on which the total costs of moving—this can become more than the actual cost of a moving van—comes into play. The cost of trying to operate land that is not as good as what you had before is important. If you have good bottom land, you have class one land, this is one thing. But sometimes none of that is available. You take all of your return out, all of your capitalization, and put it on class three land. How much of a loss have you taken at that point? On just your capitalization—you are over capitalized, even on the same amount of land, because it is not as productive.

These are some of the problems that I think you are getting toward in this. I hope that you can do something to expedite this whole proposal in the direction that you are taking.

Now, there are some other factors that enter into this. I just want to throw into the picture this problem of irregularity of takings. This enters into the other question of the remainder of the land. For the Government to be required to take the remainder of the land sometime when it is an uneconomic unit, my experience, would be completely impractical. I have seen uneconomic units of 800 acres, because they were separated from the barns and the buildings. Now, this 800 acres is worth something to somebody, probably the adacent landowner. It may not be worth as much, because he has it locked in, so the man has no access. So he is in the position to drive the hardest possible bar-

gain. But we compensated for this in our appraisal by putting 90 percent damage against isolated land. It is much better to pay the man pretty close to the value of the land, let it move at a very modest price over into somebody else's ownership, keep the land in the county and in the township, keep it on the tax rolls than to have it go into the Government where the only way you can get it out is by an Act of Congress, as you know. It takes a private bill to move it out. This is just too difficult to do.

We can pay him all right so he has no loss and somebody over on the adjacent farm will pick it up.

Now, if it is just a small amount of land, we believe the Federal Government should pick up the transfer costs. I have seen pieces of land no bigger than that newspaper lying up there, that were left. I have seen them take pieces of land that size, too. These get pretty minuscule.

I have also watched some irregularity of taking where—and I remember a house on Long Island on the interstate up there—which I appraised. The line of taking went up to just about the middle of the house, if you think of it being like a square. Then they moved 6 inches away from the foundation of the house on two sides, went on down the middle of the far side and went on down the line. Now, by any rule of reason the house should have been taken, because no residence is worth anything when you have no land against it, unless you are a townhouse and then you have made provisions for that kind of situation.

Now, this kind of irregularity gives an appraiser and the landlord fits. We could not appraise this one—when we came up to the building, we would allow 60 percent damage and we would go further when they jogged around it like this. But here is something sitting here like a sore thumb that has no business being on the right of way and they have no way of moving it. This irregularity of some of these takings is a problem that somebody could very well deal with so they would run relatively straight lines. It is better for the Government anyway. They get an irregularity and they have the problem of fencing around it and all of the interstates have to be fenced. They had better take the house and get it out of the way, because what they saved was about 30 percent of that house and they left an angry community. This is not the way to run a government, in my judgment.

The negotiating that goes on after the appraiser has conducted his business is a real problem. We were instructed to arrive at the best value that we could. Frankly, our appraisals for condemnation were higher than the same appraisals for tax purposes. We were making the appraisal level that could be negotiated in our judgment.

Now, this is what happens, and this bill deals directly with it. (I do not know whether you knew this happened or not, from somebody who had really worked with it.) But I do know what has happened. In the State of New York, where I worked most of the time, a man came out from the bureau of public roads. He had a little blue stamp about as big as a nickel. He put that down in front of the appraisal and he placed a figure in that. That figure had no relationship to our appraisal at all. This was the negotiating figure. Then the negotiator from the bureau of roads came out. He second guessed this.

They made sight appraisals; they walked down the road and looked at it, and without considering any of the things we tried to take into consideration. These fellows were professional appraisers; I do not mean to imply they were not.

The negotiator who went out there was bound by the negotiating figures. So I had the embarrassment of going down the road where I knew some of the people and putting what I called inadequate damages—one was a case of $42,000. They offered him $22,000. At another one where I put $40,000, they offered him $28,000. These men were mad as sin at me, because as far as they knew, this was my figure. It had no relationship to my figures at all.

These were five different cases in New York that went to court, and this is an expensive process, because you have to build a whole book of 20 comparable sales as part of your court records. So does the adversary. This is what makes it so expensive. In five of those cases, they settled the claim within a thousand dollars of what my appraisal had been. If they had just offered the fellow the appraisal to start with, they would have saved the court costs, saved a lot of mad people, saved a lot of time, and justice would have been served at the same time.

Now, the only way that they would change this figure was if we would admit we had made an error in the appraisal. Then they would comes back with this windshield appraisal and put a different figure on it. But the onus was on the appraiser, not on the fellow who had made the stupid mistake of putting down a figure that was completely irrational. Sometimes I changed the appraisals and sometimes I did not. A couple of times I just got my back up and said, it is your fault, go ahead and solve it to suit yourself.

They became victims of their own rulemaking. In my judgment, the bureaucracy that people fear in Government is not the bureaucracy of the White House or the Congress or cabinet members; it is the bureaucracy way down the line to that fellow who deals directly with the people and deals with him in terms of arrogance: "I have the power and you can do nothing about it."

Some of these fellows will go to the people with small claims and after the taking, that is what you are left with, just a claim. The property is gone.

I want to leave with the committee some testimony on another bill, 1351, which is over at the Judiciary Committee, which I think could very well be combined with this legislation, because it deals with another problem that comes right at this point.

When the claim is large, a man can afford to get a lawyer who can afford to hire an appraiser and get a book of appraisals developed and take it into court and get that lawyer on a contingency basis of about a third of the increase over the offering. This is standard procedure.

But if the claim is down to $3,000, $5,000, he has no prayer of getting a lawyer on a contingency basis. And that person, nine chances out of 10, has no chance of hiring a lawyer on a fee basis and hiring the appraiser at the same time.

So the little people are denied justice. They are denied the due process of law. They are denied all of the things that the Constitution guarantees them when this private property is taken for the general welfare. So what this other bill provides is that in those cases where somebody does take this into the court of claims and the Government

loses their case, the Government pays the cost of the court proceedings on the part of the person who has appealed their decision. This would bring justice back in the picture. I do not think it would create a lot more court cases. I think it would solve a lot of court cases.

Incidentally, I think your legislation here would take a great many cases out of the courts because if they had offered the reasonable price at the first time, this is all it would have taken to get a settlement. When they do not, then people get angry and they go to court. They have a right to go to court. That is what courts are for. I think this bill would restore some of the confidence that people have in the Government. I am getting pretty annoyed at this continual attack on our Government, because I think it is extremely dangerous for Government.

But I am also annoyed at the people who, by their arrogance and by their undue exercise of power, bring this criticism about.

We suggest that where eminent domain proceedings are instituted or negotiations are entered into prior to the taking of whole areas of land in keeping with the Supreme Court decision of informing individuals of their rights in cases of criminal accusations that the individuals who are losing property have a right to a statement in some kind of understandable language, preferably in a printed brochure, of their rights in this case. Most of them do not know their rights as well as the rights of the Federal Government. This would avoid a lot of the confusion. I do not see why this could not be done and done very easily, to the benefit of all concerned.

In terms of the testimony that was given by the Department of Defense, I would like to make a couple of comments on that. A great share of the correspondence I get has to do with the Corps of Engineers and their taking procedures.

We would oppose their suggestions, under section 802 on page 8. I do not think anybody should write into this kind of legislation that no provision of this section shall be construed to give any person a cause of action in any court. This denial of the right of a man to go to court is denial of a pretty fundamental right. If we cannot go to court and have to depend only on the Department of Defense for the judgment, then where is our defense?

We also would oppose their suggestions for amending sections 803(a) and 803(c) where they would include the words "to the maximum extent applicable." This is on the bottom of page 9 of their testimony.

This is an escape clause that is a nothing word, "to the maximum extent applicable." Who determines what is the maximum extent applicable? These are ways out of responsibilities.

The Bureau of the Budget recommendations on 804 we would oppose and we would oppose them especially in relation to the flood control projects.

In 805, the substitution of the word "property" for "farm" might accomplish the same objectives, but frankly, I think you have an awful lot of discontent in the farming community over some of these taking proceedings. I think that you might want to include "property," but I would not exclude "farm." I would want these farmers to know that they were being considered and they are almost special cases. I know I am prejudiced, but I think they are pretty much special cases.

The 3 years after the enactment of this that they ask for seems to be a pretty long period of time for enabling legislation to be passed. There are some States that do not have legislatures which meet every year. So let us give them 2 years. I do not think 1 year is practical. I do not think 3 years is necessary. I think they can get it done before that length of time.

In 901(a) the problem has come up in paragraph 3 of whether or not this offering of the fair market value was a binding offering which could not be changed and sometimes it does have to be changed. I would suggest the addition of the words "at least" in that and then leave some leeway.

The leeway that our negotiators had in New York, as I understood it, was that they could go to the limit of our appraisal plus 10 percent in an attempt to keep it out of court. That plus 10 percent was a pretty good plus and this is sometimes what it took to keep it out of court. And you could not try it for 10 percent anyway. So some leeway should be left in there on this, in our judgment.

I would like also to say that we have—this is not in the bill, but we have had a number of very real complaints about the allocation of the power of eminent domain to State agencies which were not directly involved in these takings to accomplish the auxiliary objectives of State agencies. In particular, we had a good deal of correspondence from the State of Missouri where, after they had taken land in a valley for one of the dams and the inundation for these projects, destroyed a wild life refuge. They therefore gave the power of eminent domain to the State conservation department to go beyond the taking of the Federal Government and take additional land for wildlife refuges that they had destroyed. Now, this seems to be a rather farfetched use of the power of eminent domain on the part of the Federal Government, to be letting somebody else use it. If they were using a State agency to take the land for the dam, this is one thing. But to give another agency the power to take land for the use of a State agency seems to me to be carrying it a bit too far.

The statement was made by the Department of Defense that they have hearings regarding these takings. The problem of how the hearings are advertised and what is made available to the public at the time of the hearings is an important element in decisions of communities whether or not to support these projects. In the highway hearings, we first of all were—we had hearings that showed the general location of the highways. This would be subject to argument; maybe there is a family cemetery or something like that that is involved. I have thought sometimes the engineers made a curve to get a tree, especially if it were a pretty one. But they will make a curve to avoid a cemetery when it is pointed out to them, because this is the last thing everybody wants to get into, moving a lot of dead bodies from a cemetery This is a complicated legal procedure that I will not go into now, but I will just tell you it is really complicated.

But there are other factors that come into it. But in the final analysis, this man who is losing property—in strip takings this is particularly true—may think about his property line being at a certain level, but unless he knows at what elevation this road is going to be, how much grade there is above him or below him, real critical factors in terms of evaluation of damage, then he is in difficulty at the same time.

The owner of the property or the occupant of the property, should be permitted to go with the appraiser when he makes his appraisal and nobody but an idiot, in my judgment, would oppose him, because he has to get as much information as he can to make a decent appraisal—I have always wanted the man along if he would go along. Inside his house, he must go along, because you are in his most private possession. But at the time the negotiations begin, this man should be offered the appraised value, but he should also be told specifically what is happening to his property in terms of grade changes, and a lot of other things that are involved in this. He should have access to the surveys not only in terms of the limits of the taking but in terms of all that goes on in the relationship to this so he can make some adequate decision about what this means. Because if you go along the side of a hill when that taking is over with, it may look a lot different than he thought it was going to look when he looked at this map and saw that these were the taking lines.

In other words, what we are saying is the fullest possible information should be given to the person whose land is being taken.

I would make one exception to this: I would not reveal the details of the appraisal. A different appraiser will arrive at the same figure by going different routes—not much, but there are differences. I think this gets down into a nitty-gritty thing that will create a great many problems for the appraiser in the community, especially if he lives there, and would really do the other person no great good. The most important information is what are the damages. If they are adequate, this is all really he has a right to know. But he does have a right to know what is being considered in terms of changes in the property while the damages are being considered.

These are comments based on 5 years of doing appraisal in this field. It is just fortunate that in this instance, the National Grange policy and those of this particular witness are in complete agreement, partly because some of the things I told the committee had something to do with the way they develop their policy.

(The complete prepared statement of Mr. Graham follows:)

I am Harry L. Graham, Legislative Representative of the National Grange. The Grange is pleased to appear before this distinguished Subcommittee of the Committee on Government Operations of the United States Senate in support of S. 698 which was introduced by Senator Muskie from Maine and co-sponsored by the Senators from Washington, Delaware, South Dakota and Utah.

In keeping with the present legislative language, this bill could be called the "Fair Property Rights Law", because it guarantees to the property owner losing property to the Federal government that he will receive a fair, reasonable and just return for this property. The constitutional provision for this has been repeatedly perverted to provide for the lost return which the acquiring agency could negotiate or intimidate out of the property owner. The Grange, and all Americans should be grateful, and we are, to these distinguished senators for again bringing this legislation to the attention of this Committee and through you, to this distinguished body.

This act includes the five titles of the similar bill which were approved unanimously by the Senate in 1965 and then allowed to die in the House would be resubmitted to the Senate, The Grange would have no comment on these except to state that they are well within the Grange's concept of trying to improve the utilization and assignment of such grants-in-aid and their efficient usage once they have been granted.

This bill makes provision for sound management techniques which are always badly in need and of critical importance in the effective use of the overall grant system, and there is no argument from any thoughtful and responsible person against better management of our finances and programs.

Title VI of the new bill is of interest to us as an organization because it does make provision for the consolidation of individual categorical grants within broad functional areas and to affect the inter-agency transfer of administrative responsibility for grant programs, subject of course to the type of congressional veto proviso that governs executive re-organization plans. One of the complaints which we receive from our rural constituency is the difficulty of cutting their way through the tangle of overlapping agencies with vague jurisdictional boundaries. There certainly needs to be something done to clear the air of this confusing situation, not only for the benefit of the constituency and all the members of this distinguished body, but from the standpoint of good business management.

Title VIII of the measure was also passed unanimously by the Senate as S. 1681 in 1966. This title provides for relocation payments for those individuals and businesses which are forced to move as a result of the acquisition of real property for federal and federally assisted programs. It also provides for advisory assistance and the assurance of availability of standard housing as well as federal reimbursement for relocation payments under these federally assisted programs.

This reimbursement suggestion is one which is based on the solid concept of equity. Under the previous rules for condemnation proceedings under eminent domain, at least in the highway takings program in which I was engaged as a professional appraiser for 5 years, there was no consideration permitted for the inconvenience and the cost of moving a business that had been dislocated by these acquisition programs. The best that could be done was to make a little more generous allowance in terms of the damages and hope that they could be negotiated out this way to prevent the maximum of financial loss. As we will indicate later in the testimony, even this was a pretty hopeless gesture, even though those of us who worked on these projects were certain that the whole concept of forcibly moving somebody and making him pay the moving expenses was an offense to our sense of justice.

The allowance of $100 to $300 for moving expenses for people whose dwelling has been taken is a modest and reasonable allowance, as is the allowance of $1,000 which is the maximum which can be allowed for the movement of a farming operation which has been displaced. The movement of the animals and the equipment as well as the furniture on a farmstead is an expensive procedure and the $1,000 is not beyond the realm of costs under most circumstances.

The granting of assistance to elderly and handicapped individuals in an amount not to exceed a $1,000 is also within the realm of justice.

The Grange is particularly interested in title IX of this legislation, a uniform land acquisition policy for federal programs. Very frankly, the National Grange each year has numerous suggestions of ways to facilitate the taking procedure and to increase the injustice of the procedure. We are constantly receiving letters from constituents and from those who are not our constituents who plead for our help to either save their property from inundation or destruction or to see that they have equitable and reasonable return for their property. Many of these properties have an intrinsic value far beyond any commercial value. Since this value cannot be satisfied by any kind of monetary payment, at least that which is offered to them and which they are forced to accept should be a reasonable amount.

As I stated earlier in the testimony, I've had considerable experience in this field of preparing appraisals covering the value of and the damage for federal and state acquisitions, primarily as a part of the interstate highway system, but not confined to it. I worked for the Thane Appraisal Service of Binghamton, New York, which contracted with the state of New York for the appraisal of the value of the property and the damage to the property in these takings, and then I later worked for the National Farm Consulting Service of Ithaca, New York, a firm which usually worked for the person who was losing the property.

I would tell you that the experience of working for the latter was considerably more satisfactory than the ones which I had as I worked for the state of New York which was acting as an agency for the Bureau of Public Roads of the United States government. The procedures which we followed will indicate the reason for my dissatisfaction with the employment by those who were taking the land and the reasons for my raising some serious ethical and moral questions which apparently have been raised previously, or this legislation would not have been introduced.

Briefly, the procedure which we followed was to establish land values, measure and type the buildings and calculate the cost of reproduction, and on the basis of comparable sales and fixed land values, we would then figure the depreciation

on the buildings to find the market value of the property. After that, we figured the value of the takings on the same basis that we had figured the value of the property and then estimated the damage to the remainder of the property which was altered by these takings. These were many times strip takings and frequently divided the property and quite often left the property owner without access. Most of these takings were for non-access highways to a part of the property so if there was not a road or right of way into the back side of the farm, where the taking was a strip taking which would go behind the barn and yet separate most of the land from the buildings, then this land was of no real utility to the farmer because he simply couldn't get to it. If sold, it had to be sold without access which meant that it could be acquired by property owners with adjacent property at a disaster price level.

After the appraisals were completed and the damages had been figured, these were always checked by supervisors from the appraisal company, and then turned over to the claims department for the New York State government, who were in charge of the negotiations.

One of their men would come to the project and take the appraisals one by one and drive down the road and place a blue stamp on them and put a negotiating figure within the circle of this stamp which was the basis upon which the negotiator who came along later were to operate and the figure which they were not permitted to exceed. This figure might have little or no relationship to the appraised value to which we had put on the property or to the damages which we had determined had been inflicted against it. The only way this figure could be changed was for the appraiser to state that there was an error in the appraisal, re-figure it and re-submit it. Then the procedures permitted change.

This figure, along with the total appraisal, was checked by an agent of the Federal Bureau of Public Roads who could put a different negotiating figure on the case if he cared to, but both of these were binding upon the negotiators.

The result of this procedure was that frequently property owners were offered less than half of the damages which we had concluded were the basis for a fair settlement for the property owner. The personal problem involved in this was that when the appraisals were being made in the areas where the appraiser was known, he became the community outcast because these people thought that the price which was offered them as a negotiating figure was what the appraiser had determined and we were not privileged to disabuse people of this misconception.

Negotiators have various attitudes towards the public with whom they work, but it is a relatively open secret that they are instructed to obtain this property for as small a consideration as can be negotiated. On the face of it, this sounds like good business, and if it was business between individuals or individuals and corporations where the seller was not forced to sell it would be. However, by definition the condemnation proceedings violates the concept of the fair market price which is usually defined in appraisal journals and manuals as "the value at which a man who is willing but not forced to sell can agree on with a purchaser who is willing but not forced to buy". Obviously, where condemnation proceedings have taken place and the right of eminent domain is being exercised, one of the four conditions of this formula is absent since the seller, at least theoretically, is being forced to sell against his will, and in most instances this is not only theoretically true but it is practically true.

At some point in the procedure, the government or its agent files the condemnation proceedings and surveys, and the property then belongs to the government. The previous owner is left with a claim, and it is the claim which is negotiated.

In cases where there are substantial amounts of money involved, then the obvious recourse of the individual is to place his claim in the hands of a lawyer who is skilled in the negotiating of the subjects or who also is skilled in the presentation of these cases before the appropriate courts. In cases where the amount in dispute is from $10,000 up, and certainly when the amount is in excess of $20,000, the ability to get a competent lawyer who will also bear the cost of the procedure which means the hiring of an expert appraiser for his purposes, can be done on a contingency basis. This means simply that the lawyer will take a share of the increase that he is able to gain for his client over the original offering. This usually amounts to a third of the settlement.

Let's look at two instances of how this operates. In one, route 81 of the Interstate System cut off a farm immediately behind the barn and missed the corner of a new barn by only six inches, leaving the rest of the land either

inaccessible or more than six miles from the barn by way of the nearest underpass. I placed damages on this farm at $44,000. The negotiators offered them $28,000, they took it to court, asking somewhere around $60,000 according to my recollection and after the whole period of litigation was completed the judge awarded the man exactly what I had previously indicated was a just and fair figure. In another instance, where route 17 was being widened west of Horseheads, New York, we put an appraised value of the land and the damages at $55,000. The owner was offered $28,000. The owner sued for $75,000 and the judgment of the court was $55,000.

The foolishness of this is all the more apparent when the procedures which precede a trial in the Court of Claims are known. Not only is the regular appraisal used, but it is also necessary to develop a "book" of appraisals of comparable property which was sold in the area during a representative recent period. This then means that all these other properties have to be appraised and compared to the one which is the subject of adjudication. This is obviously an expensive process, running from $3,000 to $10,000, to say nothing of the cost to the federal and state governments for their lawyers and the time consumed by the courts.

The injustice of this is that the final figure which is awarded to the plaintiff, when it is the same as has been already determined by the appraisal, still is less than it should be because in the case of the difference between $28,000 and $44,000, then a lawyer was paid a third of this which would be $5,333 which is the loss that the individual farmer had to take in order to get his claim satisfied. He gained twice this amount but he still came out $5,333 under what he should have received.

In another case, I put an appraised value of damages at $42,000 including the value of the land. This went into court and was settled before the trial at the maximum figure which was permissible which was the appraisal plus 10%. Again, in this case, the farmer lost a third of the increase over the original offer.

This situation is bad enough, but consider what happens when the claim is relatively small, say under $10,000. If we had put in an appraisal for $10,000 and the negotiators had offered only $6,000 or $7,500, then the amount that would be adjudicated is too small for a lawyer to assume this responsibility on a contingency basis. In other words, the plaintiff has to guarantee a payment of a certain amount and this is on a risk-all basis because there is always a possibility that the court would not increase the amount that had been offered. This, to all intents and purposes, locks out of the courts the very people who most need assistance, for the simple reason that they do not have the money or dare not risk the money if they do have it for this kind of a court case. Therefore, the negotiators are prone to go to these people and make them a flat offer on a take it or leave it basis, or rather on a take it or take it to court basis.

For the poor and the elderly and the infirm, the threat to take it to court simply scares them into signing away their property without just compensation as is guaranteed by the Constitution for these cases.

I well remember one instance where a lady of eighty-four years of age, a widow woman, with very limited resources and on limited social security, lived in a little house of three rooms up a bank from the road but which still had a roadway available to get the coal trucks up to discharge their cargo into the coal bin and as access to the house. The taking line was at the bottom of her front steps.

This in turn raises another question which is not covered by this legislation and that is the irregularity of the takings which are sometimes surveyed to avoid touching a building, because if they take six inches of it they must pay for the whole building. I have seen instances where a straight line would have gone 15 ft. through the house and when they came down to this residence itself, they would veer off to the right or left as the case would be and missed the property by a couple of feet on two sides and then resume their straight line which leaves the property extremely undesirable for any kind of purposes, unless it would happen to be on the back side of a business property where the excess land was never used. These tactics are reprehensible to say the least and down right dishonest to say the most.

In the case of this elderly lady, she was left with 28 steps up to her front steps which were probably another 7 or 8 which she had to climb before she could get into the house. The roadway which had been available to her for the purpose of discharging the coal that she used to heat her house was de-

stroyed. I submit to you that, whether this lady was 84 years old or not, that there was not a great deal of value left to a 3 room house which had a property line that was next to the front steps and was 23 ft. above the elevation of the road. I placed, as I remember, a damage of something like $3500 against this property. The negotiator came out, gave her the hard line which I have previously described, and almost forced her under duress to sign an agreement to release her property for $1200. When I came by later she was sitting on her front steps, isolated from the road by a muddy bank because the steps down the bank had not be built and weeping copious tears about what had happened to her, her home, and her ability to use her home.

Gentlemen, if one's sense of justice isn't completely offended by this kind of action, I don't know what their sense of justice is. We recognize the necessity of the government exercising due prudence in the expenditure of public funds. We expect that and anything else would be contrary to the intent and purposes of any of the laws which we have.

However, we expect something else of our government and that is that those with power should use it with restraint, those with authority should use it with responsibility and those with power to make decisions concerning another person's property should make those decisions and arrive at the compensations on the basis of equity to the person who's property is being taken as well as prudence on the part of the Federal Government. Fiscal prudence does not give license to those who are exercising this authority to be arrogant, arbitrary, and unfair.

As stated previously, for a number of years the National Grange has had policy of one kind or another on this subject proposed to it and usually has accepted it. The latest policy declaration was during our Centennial Convention at Syracuse, New York, in November of 1967. It reads as follows:

"Whereas, we believe that the present government land acquisition policy must be altered, modified and changed to further protect the affected landowner as well as the taxpayer during the full course of negotiations: Therefore, be it

"*Resolved*, That the National Grange work—

"1. To remove the secrecy from any government appraisal by requiring that they be made a matter of public record;

"2. To eliminate the opportunity of a government agency to interpret, modify, alter or ignore the appraised values as established by the government's appraisers; and

"3. To establish a 3 member board of qualified impartial appraisers (one being the choice of the affected landowners) to be used in appraising and determining the fair estimate of value. This estimated value and the individual appraiser's reports must be presented to the affected landowner as well as the government agency for consideration in negotiating and arriving at a joint and realistic fair market value for the lands to be acquired; when an agreement cannot be reached, after thorough negotiations, then a condemnation suit would be filed."

Page 176, 1967, Journal of the Proceedings, Centennial of the National Grange.

This legislation, especially that language in paragraph 3 of section 901 would cover the intent and purposes of the resolutions which had been passed by the National Grange. This states "before the initiation of negotiations for property, the head of the federal agency concerned shall establish a price which he believes to be a fair and reasonable consideration therefore and should make a prompt offer to acquire the property for the full amount so established." In paragraph 3 of section 905, the same requirement is made of state agencies which act in the name of a federal agency.

The Grange, from the resolution which we have already read, would obviously enthusiastically support the passage of this kind of legislation. It establishes a basis on which the Federal Government will operate with its citizenry consistent with every concept of justice and fairness.

Most cases are settled out of court to the satisfaction of the property owners. However, in our judgment, this kind of legislation would remove most of the claims cases from the courts. Of course, in instances where there is a vigorous disagreement between the contending parties, the property owner is still at liberty to pursue the normal court procedures, but my own experience and judgment would indicate that this would be a relatively rare occurrence.

Not only would justice be served but the purposes of the bill as stated in section 901, paragraph (a) of title IX would be accomplished. These purposes are "in order to encourage the acquisition of real property by amicable agreement

with owners, to relieve congestion in the courts, to assure consistent treatment for owners in the many federal programs, and to promote public confidence in federal land acquisition practices, and—".

Not the least of these items is to promote public confidence in federal land acquisition practices, which at the present time is at a low water mark. Too many people have been mistreated, mislead, and unjustly deprived of that which was rightfully theirs—just and fair compensation for property lost to the federal government in the interest of the general welfare.

The Grange believes that all citizens bear equal responsibility to their government. However, this does not say that we believe that some people should bear an inequitable amount of the responsibility for the general welfare. This has been the case in our federal land acquisition policy as well as in a number of states.

In relationship to paragraph 2 of section 901, which requires that a property owner should be given the opportunity to accompany the appraiser during his inspection of the property, my own experience does not indicate that there is any reason for this provision because I not only welcomed them, but found it essential in order to obtain the information which is required before an accurate appraisal can be made. It is also a matter of just plain good manners.

Apparently there has been some question raised by the failure to follow the kind of policy which we had adopted, therefore to cover those instances the Grange would support this recommendation.

The only part of this legislation which we would question would be paragraph 10 of section 901. Under the policy which we followed, such land was depreciated or the remnant of a property by as much as 90%. In other words, the property owner was paid that share of the value of the land. This then left him to negotiate the sale of the remnant with an adjacent property owner which was usually not too difficult to do.

We would suggest however, that in some instances these units are so small that it is uneconomic to keep them but it is also uneconomic to pay the cost of the transfer of the remnant of the property. If the government would have any responsibility at all at this point, it would seem to us that its responsibility should be to cover the cost of the transfer of the property, especially when it has to be sold at an extremely low price. To have the government acquire this property would mean that it also would own a lot of property adjacent to legitimate rights of way and the problem of transferring property of the Federal Government back into private hands is simply so great and so complicated that it would have a tendency to remain with the government. Most of this would have to be cared for, the fencing would have to be irregular, and the whole problem of upkeep would far outweigh any other problems including the cost of the transfer of this property to a willing buyer.

The only other suggestion which we have is that in cases where a large amount of property is taken in one area, and in those areas where there are people who's roots are deep and where for many generations people have lived, then the acquisition of comparable property becomes considerably more expensive than the value of the property which has been taken, when that value has been established by sales prior to the taking of this land and property by eminent domain. The very act of taking property creates a shortage of property in an area. Some consideration should be given, especially in terms of farm land, to compensate the individuals for a part of the increment of the price of land that is the direct result of the shortage which has been created by the federal acquisition policies. We're not sure just how this should be stated in legal language, but we believe that the Committee and its staff understand how this problem can arise and does arise and that some provision should be made for meeting this situation which should provide that the person who has lost his property may acquire property again of similar value and similar utility.

This is not quite so important in terms of single dwellings, nor is it so important in terms of business property. It is extremely important in terms of farm land, especially when that farm land is taken for purposes of inundation, because this means that in many areas the only prime farm land that is available has all been taken and the comparable land is not available at any price. The resulting financial loss to farm operators who are forced to farm marginal land and to take the loss that comes on the capitalization of their investment as a result of this, is an economic problem which needs to be considered in the final negotiations and settlement for property where this situation exists.

We would also suggest that when eminent domain proceedings are instituted or the negotations are entered into prior to the taking of whole areas of land, that in keeping with the Supreme Court decisions of informing the individual of his rights in cases of criminal accusations, that the individuals who are losing property to a federal acquisition program should also be informed in some kind of understandable language in a printed brochure of their rights in this case as well as the rights of the federal government.

We would call to the attention of the Committee that S. 1351 now before the Judiciary Committee, provides another important link in this chain. This proposal, introduced by the distinguished senators from Oregon, provides that, when one who has lost property due to the exercise of the right of eminent domain, and who chooses to go to court for a decision, and then has the settlement figure raised by the court above the highest amount previously offered, the costs of the proceeding including the legal and other necessary fees of the individual, must be paid by the Federal government. This would help to solve this problem and we would suggest that this Committee might consider combining these two pieces of legislation under one bill. This has been done by some states.

With these suggestions, the Grange concludes its testimony. We congratulate the authors of this legislation and the interest shown by the members of this Committee in it for their proposal. We earnestly urge the endorsement of this bill by this Committee. Likewise, we earnestly urge its adoption by the Senate and we assure the Committee that the Grange will do whatever it can and we will be willing to follow your lead at this point to assure that this legislation is acceptable to the members of this distinguished body.

We thank you for this contribution to justice and equity which are basic to our democratic processes and without which our democratic processes cannot survive. This legislation will bring new meaning and value to the fifth amendment to the Constitution which concludes, "nor shall private property be taken for public use, without just compensation".

Mr. GRAHAM. Mr. Chairman, you are very kind to stay so long. It is way past lunch hour. I appreciate your staff and your staying.

Senator MUSKIE. Thank you, Mr. Graham. This is very interesting testimony. It is very good to have it. Sometimes forces around here force us us to bypass lunch.

Mr. GRAHAM. I can afford to pass it. My doctors say I should.

Senator MUSKIE. I regret that it was not possible to arrange a satisfactory time for Secretary Wilbur J. Cohen, of the Department of Health, Education, and Welfare to testify in person. The testimony that he would have presented will be included in the record at this point.

(The testimony of Secretary Cohen follows:)

STATEMENT OF HON. WILBUR J. COHEN, SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman, I welcome the opportunity to testify on two bills, S. 698, "The Intergovernmental Cooperation Act of 1968," and S. 2981, "The Joint Funding Simplification Act of 1968."

We have made some significant progress, in my opinion, in Creative Federalism since I last appeared before you to testify on S. 561, "The Intergovernmental Cooperation Act of 1965." But much remains to be done and it is for this purpose that you have introduced S. 698.

Recent legislation by the Congress has dealt with national problems, and programs for overcoming them, that severely tax the combined resources of Federal, State and local government. Although we must act as a Nation on national problems, we must at the same time keep the dispersion of power and initiative which we value so highly. National problems cut across State and local lines. And the solutions to these problems are dependent on an effective working relationship among all levels of government.

President Johnson has provided the leadership in developing a new Federal, State and local partnership, which he has described as Creative Federalism. Through this relationship, power and initiative must be shared in new and flexible ways. It is essential that this partnership—a mutually respecting

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 administra

tion. Nowhere is this more significant than in the administration of grants for urban development.

To this end, we have, over the years, forged some effective relationships through interdepartmental committees or task forces and through effective person-to-person liaison. A recent example of an effective coalition of the Federal partners for a common purpose was the establishment of a Joint Administrative Task Force by the President, with representatives from the Departments of Housing and Urban Development; Health, Education, and Welfare; Labor; and, the Office of Economic Opportunity, to speed the processing of State and local applications for Federal grants-in-aid. The Task Force focused primarily on four types of multipurpose projects of major significance—Model Cities, Neighborhood Service Centers, Manpower Programs, and Water and Sewer programs. The Task Force accomplished its objectives of reducing the processing time in some 42 programs by 50 percent, and, in a second phase, extended its review to other Federal grant-in-aid programs with similar results.

The Joint Administrative Task Force developed a common application form for local governments to use when applying for grants-in-aid from several Federal departments and agencies for support of neighborhood service programs. This form, adopted by the Departments of Health, Education, and Welfare, Labor, Housing and Urban Development, as well as the Office of Economic Opportunity, has greatly simplified the application process for local communities as well as the reviews at the Federal level.

The Joint Administrative Task Force also recommended and has seen adopted an interagency coordination structure for use in the review and approval of Model Cities applications and in the provision of technical assistance to cities preparing Model Cities demonstration programs. The four agencies have established (1) a Washington interagency review committee for joint action on Model Cities planning grant applications as well as subsequent program grants; (2) regional review committees; and (3) joint technical assistance teams and local city working groups.

Within the Department, we have made specific organizational changes to improve our ability to work effectively with other Departments on urban problems:

Early in 1967, Secretary Gardner established the Center for Community Planning for the purpose of providing an urban focus for the Department and developing HEW responsiveness to the needs of the city.

The Center coordinates Departmental activity in connection with the Model Cities, Neighborhood Services Program, Parent Child Centers, the Youth Opportunity Campaign and other urban programs. It has built a "Technical Assistance Network" utilizing local Social Security district office managers and other Departmental personnel, through which requests for information and assistance in connection with urban problems may be routed rapidly to that point—the State, the Region or the appropriate agency in Washington—where the most effective help can be given.

One of the Center's major tasks is to develop new and more flexible mechanisms of funding comprehensive urban programs such as the Model Cities. It has developed and is operating a system for prompt interagency evaluation of multipurpose projects involving HEW and other Departments. The Center represents the Department on interdepartmental task forces and committees concerned with urban programs and with semi-public associations such as the Conference of Mayors and the National League of Cities.

The Center is currently working with the Council of State Governments and the Department of Housing and Urban Development to develop policy for the Federal Departments in working with the States in the Model Cities and other urban programs, and to advise the States of the role they should be playing in his effort.

While the joint efforts we have undertaken with HUD and other agencies concerned with urban development have made a substantial contribution, it is clear that Title IV provides us with important new tools to achieve a more efficient administration of grants for urban development. I therefore support the purpose of Title IV to advance the development of consistent Federal policies and procedures for carrying out a firm, constructive urban development policy.

TITLE V—CONGRESSIONAL REVIEW OF FEDERAL GRANTS-IN-AID TO STATES AND THE LOCAL UNITS OF GOVERNMENT

The need for and importance of Congressional review of government programs is an accepted fact. Department of Health, Education, and Welfare grants are, in effect, reviewed through several methods: (1) The consideration of amendments to authorizing legislation frequently requires a fresh look at the basic laws, (2) There are time limitations in most of the basic enabling legislation requiring Congressional action (for extension) and therefore review. (3) The budgeting and appropriation process provides an annual mechanism for the evaluation of the cost, efficiency, and performance of programs, (4) Advisory councils charged with the comprehensive evaluation of programs have been established by Congress for a number of our major grant programs.

I concur in the views of the Bureau of the Budget that periodic reviews of grant programs by the Comptroller General or other bodies as specified in Title V would not be as effective or serve the same purpose as reviews by the substantive congressional committees.

Based on our experience in the Department of Health, Education, and Welfare I do not see the need for the provisions of Title V. It proposes authority which Congress already has for fixing the duration of grant programs and procedures for review of them.

I am also concerned about the provision for the automatic termination of programs at the end of five years. The variations and complexities among our many grant programs are such that no arbitrary period of duration is appropriate for all of them.

I would like to suggest as an alternative to Title V—or as an addition, in any case—a program which would authorize appropriations for one additional year if legislation to authorize a program's extension was neither enacted nor rejected by the beginning of the fiscal year of the program authorization. This would provide lead time for orderly Federal, State and local planning. This recommendation is essential, in my opinion, if we are to improve the stability of Federal-State-local fiscal, administrative and program relationships.

In addition I would like to suggest that any Congressional review of legislation of limited duration ought to be completed at least one year in advance of the expiration of program authority.

TITLE VI—CONSOLIDATION OF GRANT-IN-AID PROGRAMS

Title VI constitutes a new alternative to the current methods used for consolidation of grant-in-aid programs. It would authorize the President to follow a procedure based on the Reorganization Act of 1949 which would result in the submission of a grant consolidation plan to the Congress where it would be subject to the type of veto that presently applies to expensive reorganization plans.

Our Department has been active in seeking to achieve a strengthened partnership with State and local governments by supporting grant consolidations which recognize the vital role played by our State and local units and their need for increased grant-in-aid flexibility. The enactment of the Partnership for Health program, P.L. 89–749, and the concepts embodied in title II of the proposed Partnership for Learning and Earning Act of 1968 are recognition of the need for consolidation and improvements in narrow categorical aid programs.

Our deepest concern about title VI is that it would limit Congressional action to either approval or veto of complex grant consolidation proposals put forth by the President.

We believe the present system of a broader consideration of such legislative proposals has many advantages. In our experience, the amendments made as a result of congressional committee reviews have been a major contribution to the improvement of grant-in-aid legislation.

While this Department favors the objectives of title VI, we believe these objectives can be better accomplished by other means.

The first of these we have already mentioned—the normal legislative process. The other would be to introduce the flexibilities embodied in S. 2981 which would significantly overcome the impediments resulting from the multiplicity of narrow categorical grants.

S. 2981—JOINT FUNDING SIMPLIFICATION ACT

Section 6(b) of S. 2981 provides an important new means by which Federal agency heads may arrange for joint review of proposals by a single panel, board, or committee in lieu of separate review.

In authorizing the establishment of joint management funds in section 8 of the bill, accounting and administration will be streamlined and simplified both for recipient institutions and awarding agencies. In addition, the establishment of uniform administrative and technical requirements encouraged by section 6(a) will go far in reducing the administrative complexities which often stand in the way of responsive program administration.

In summary this Department strongly endorses the concepts of grant simplification reflected in S. 2981 and we feel that the authority contained in S. 2981 will permit an application of these concepts to help solve the mounting problems associated with the increasing complexity of Federal aid administration.

The Department of Health, Education, and Welfare welcomes the attention, Mr. Chairman, that the Committee under your distinguished leadership is devoting to the central issues of good administration and intergovernmental cooperation, which are so vital to the successful operation of the Department's programs.

Senator MUSKIE. This brings these hearings to a close.

(Whereupon, at 1:20 p.m., the committee adjourned.)

COMMUNICATIONS AND STATEMENTS SUBMITTED FOR THE RECORD

STATEMENT BY JOHN W. GARDNER

I am John W. Gardner of Washington, D.C. I submit this statement on "Uniform Relocation Assistance" as an individual and not as a representative of any organization. However, I draw upon my experience as the former Secretary of the Department of Health, Education, and Welfare, and my present responsibilities as chairman of the Urban Coalition.

The renewal and reconstruction of American cities is an essential part of the needed response to the urban crisis which now confronts this nation. Much of the vitality of our urban civilization is focused in our central cities. Although suburbs and new towns have an important place in urban development, the central core of metropolitan areas must be preserved and improved.

To improve cities inevitably requires a certain amount of tearing down as a prelude to reconstruction. This rebuilding process means that residential and business properties must be acquired and their occupants displaced. Families and single persons will have to move from their homes and businessmen from their establishments.

These persons are inconvenienced and some of them suffer considerable personal hardship to benefit the whole community. Because of this, there is a major public responsibility to assure that those who must relocate are treated with great care and generosity.

A wide variety of public programs cause displacement but the two activities which produce the most relocation are urban renewal and highways. In the cities, both seem to move a disproportionate number of poor and moderate income families and small businessmen. A major focus of urban renewal is the demolition of deteriorated housing, most of which is occupied by the poor, and within an urban renewal area many of the businessmen who must move have small operation, with modest net income. The interstate highway program, with most of the routes in the countryside completed or underway, is concentrating more and more on the routes in and near the heart of cities, that is, in those neighborhoods where low- and moderate-income families reside. Yet it is these families who already have the greatest difficulty finding adequate housing.

Over the past two decades there has been an increasing Federal concern about the relocation process. Unlike some of the construction programs of the nineteen-thirties, the urban redevelopment program, from its beginning in 1949, made provision for relocation payments, and the amounts of financial assistance and other services has been expanded in the intervening years. The highway program has had more modest provisions for relocation assistance, but at least it provides some aid to the persons who must move.

Nonetheless, when the Federal government itself acts as a developer in the construction of Federal facilities, it makes no relocation payments. Nor is assistance required under a number of the grant-in-aid programs. Moreover, the highway program provides less assistance than urban renewal, and these different benefit levels cause inequities among persons who are displaced. For example, on one side of the street families might be displaced by an urban renewal project and given financial assistance at one level while across the street other families are dislocated by a highway project and given lesser assistance. This is unjust to the displaced persons, and it is confusing to the general public.

Because of these problems, the Uniform Relocation Assistance Act, which is title VIII of S. 698, is highly desirable legislation. It will go a long way toward correcting the deficiencies in existing arrangements.

The proposed act is commendable because of its broad coverage. It requires for the first time that Federal agencies must make relocation payments and provide other assistance to displaced residents and businessmen. It extends this requirement to States acting as agents for a Federal public improvement project. It applies to federal assisted programs where States, political subdivisions, and

special purpose units of local government cause dislocation. Thus, it covers all public agencies which use Federal funds for projects where relocation is necessary.

However, the bill apparently does not apply to nonprofit organizations receiving Federal assistance. Yet, private colleges, universities, hospitals, and nonprofit organizations constructing neighborhood facilities, sometimes displace persons in connection with projects which are federally aided. Perhaps such projects, too, should be encompassed by the act.

The second important feature of the bill is the uniformity which it requires. Relocation payments and other assistance must be the same for each type of Federal project and federally assisted program. Although I am not a technical expert on the details of relocation payments, the requirements of the bill seem to me to be generally appropriate. It would be better to err on the generous side than to be too stingy with those who must make a personal sacrifice by moving to promote the general public welfare.

The provisions for relocation assistance other than monetary benefits are also important. The poor in particular need assistance in locating adequate housing at rents they can afford, and small businessmen need help in finding other quarters and in contacting institutions which make small business loans.

Relocation assistance should be a process which starts early in any project. If unemployed family heads can enter manpower training programs six months or a year before they are to be displaced, by the time moving day arrives they can be in steady jobs with higher wages, and thus be able to have more income which will give them a wider range of housing choices. Early health examinations followed by any needed medical services might be able to remedy many health problems before the move. A small businessman might benefit from management assistance before he has to relocate, and this would improve his chances for succeeding in a new location. In a similar manner, other opportunities might be made available to persons prior to relocation.

The bill should make clear that full and meaningful relocation assistance beyond financial payments is not merely desirable but is a mandatory requirement. Perhaps the bill could be strengthened by prohibiting acquisition and clearance of property unless there is a suitable program of relocation assistance and an adequate supply of the right kind of housing and places for small businesses.

As to financing relocation programs, I believe that it is appropriate for the Federal government to pay the entire cost up to $25,000 for any one person, as the bill provides. This allows uniform payments to start immediately without waiting for state enabling legislation. The ceiling permits the rare situation of unusually high relocation costs of a business to be handled by sharing costs between the Federal government and the State or local agency on the same basis as other costs of the program, such as 90–10 percent in the case of interstate highways and two-thirds/one-third for urban renewal.

I would urge that this bill be passed as soon as possible with its provisions to take effect upon enactment. The next several years will be crucial as the activities of the Federal highway program are stepped up in cities and as urban renewal expands in conjunction with the model cities program. Delay would continue to make the poor and moderate-income families and small businessmen bear an inordinate share of the inconveniences of the programs which will make American cities better places to live and work.

STATEMENT BY HON. STUART SYMINGTON, U.S. SENATOR FROM THE STATE OF MISSOURI

MORE EQUITABLE TREATMENT FOR LANDOWNERS DISPLACED BY PUBLIC WORKS

Mr. Chairman, Thank you for this opportunity to comment in support of the amendment we have offered to title VIII of your bill, S. 698, designed to achieve a uniform policy for "fair and equitable treatment of owners, tenants, and other persons displaced by the acquisition of real property for Federal and federally assisted programs."

These programs are justified by expected benefits for the general public. The purpose of our proposal is to ease the unfair financial burden often placed upon those who are forced to sell their property to the Government for such programs, when, because of circumstances beyond their control, the owners are not able to find reasonable replacement property that would entitle them to obtain capital gains tax deferral.

Current law (section 1033 of the Internal Revenue Code) recognizes the need in some circumstances to allow deferral of payment of capital gains taxation on the proceeds of an involuntary conversion. Under that section, the owner of land taken for public use can postpone recognition of gain on compensation he receives only by reinvesting in property of "like kind" within a specified period. Generally, this permits the landowner to reinvest in any comparable real property.

The amendment we offer would permit the taxpayer to defer capital gains taxation of condemnation awards when he reinvests in securities or a business if he establishes that to require him to reinvest only in comparable real property would work "undue hardship" on him.

The term "undue hardship" is one of equity; still this is a situation which calls for equity. Since the burden of proof will be placed on the taxpayer, this amendment would be restricted to relief situations rather than open up an area of abuse.

As an example of circumstances which would constitute an "undue hardship", let us take the situation that arises in large reservoir takings. Comparable replacement property often is not available in the general vicinity, and landowners would be required to move considerable distances in order to reinvest in similar farm property. Another hardship slituation would arise when a landowner is forced to sell a going farm operation but has reached an age when he does not believe it physically possible to start a new farming or ranching life. He is being pushed into an early retirement. These people have no choice, no real alternative to selling their land; in order to avoid undue hardship, tax concepts should be made to conform with current needs and the increasing scarcity of land.

Our amendment does not provide specific criteria for the application of "undue hardship." To do so would only confine the attempt to achieve equity to arbitrary limits. However, we can think of several factors that might merit consideration in determining "undue hardship": the age of the landowner, the number of years he has owned the land, and evidence of his efforts to find reasonable replacement realty.

Mr. Chairman, we believe that our amendment would provide considerable economic assistance to persons across the country whose property is taken for public works programs such as reservoirs and highways. More equitable tax treatment seems in order for those who are forced to give up land that may have been built up over many years, even generations, and then who are taxed because they are unable to find replacement property.

Your Committee's favorable consideration of this proposal will be appreciated.

Amendment intended to be proposed by Mr. Symington (for himself and Mr. Long of Missouri) to the bill (S. 698) viz: On page 49, after line 10, insert the following:

PART C—AMENDMENT TO INTERNAL REVENUE CODE

PROPERTY REQUIRED TO REPLACE REAL PROPERTY TAKEN BY CONDEMNATION

SEC. 811. (a) Section 1033 of the Internal Revenue Code of 1954 (relating to involuntary conversions) is amended by redesignating subsection (h) as (i), and by inserting after subsection (g) the following new subsection:

"(h) CONDEMNATION OF REAL PROPERTY AFTER 1966.—

"(1) *Special rule.*—For purposes of subsection (a), if real property (not including stock in trade or other property held primarily for sale) is (as the result of its seizure, requisition, or condemnation, or threat or imminence thereof) compulsorily or involuntarily converted, and if the disposition of the converted property (within the meaning of subsection (a)(2)) occurs after December 31, 1966, replacement property shall be treated as property similar or related in service or use to the property so converted.

"(2) *Replacement property defined.*—For purposes of paragraph (1), the term 'replacement property' means—

"(A) real property and any interest in real property,

"(B) property to be used in trade or business of the taxpayer (as defined in section 1231(b)(1), but determined without regard to any holding period), and

"(C) subject to the provisions of paragraph (3), any property to be held for investment by the taxpayer.

"(3) *Application of paragraph (2)(C).*—Subparagraph (C) of paragraph

(2) shall apply with respect to any property only if the taxpayer establishes that it would have worked an undue hardship for him to replace the property converted by the purchase of—

"(A) property similar or related in service or use to the property converted, or

"(B) property described in subparagraphs (A) and (B) of paragraph (2)."

(b) Section 1033 (g) of such Code is amended—

(1) by inserting after "December 21, 1957" in paragraph (2) (B), and before January 1, 1967"; and

(2) by striking out the heading of such paragraph and inserting in lieu thereof "Period of applicability."

(c) The amendments made by this Section shall apply to taxable years ending after December 31, 1966.

SUPPLEMENTAL STATEMENT BY SENATOR STUART SYMINGTON

Mr. Chairman: Just this morning, Mr. Charles Smith, staff director of your subcommittee, made available to my office a copy of a letter dated May 15, 1968, addressed to you from Assistant Secretary of the Treasury Stanley Surrey. This letter further states the objections of the Treasury Department to the amendment proposed by Senator Long and me.

I have had prepared a rebuttal to the Treasury Department's further argument, and ask that it be included in the record along with the letter which you have received.

REBUTTAL OF TREASURY DEPARTMENT'S LETTER OF MAY 15, 1968

1. Fear of abandonment of the principle that a capital gains tax becomes due upon change in investment position is unwarranted. The situation we are concerned about involves an involuntary conversion, which allows deferral of capital gains because the change in investment position is *not voluntary*. Section 1033 of the Internal Revenue Code is a modification of the capital gains principle that has been long recognized. Our amendment would merely make the intent of section 1033 applicable in situations where replacement realty was not available. No new area for special treatment is being suggested. These landowners have no choice, no real alternative to selling their land; in order to avoid undue hardship, historical tax concepts should be made to conform with current needs and the increasing scarcity of land.

2. The fear that there would be extensive litigation seems to be exaggerated. Admittedly the term "undue hardship" is one of equity; but this is a situation which calls for equity. Since the burden of proof will be placed on the taxpayer, this amendment would be restricted to relief situations rather than open up an area of abuse. The possibility of litigation arising should certainly be no excuse for denial of the right to relief.

TREASURY DEPARTMENT,
Washington, D.C. May 15, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is intended to supplement my letter to you of May 17, 1967, setting forth the Treasury Department's views on an amendment to S. 698 proposed by Senators Stuart Symington and Edward V. Long of Missouri. The original amendment would have permitted the proceeds of a land condemnation award to be reinvested, without payment of a capital gains tax, in any type of real property, in any trade or business property, or (in those instances in which it would be "impractical" or would cause "undue hardship" to invest in suitable replacement property) in any type of investment property, including stocks and bonds. Since that time, Senator Symington and Senator Long have amended their proposal by removing the standard of impracticality, and I felt that views should reflect this change.

The Treasury Department continues to be opposed to this amendment to S. 698. The change in the amendment which has been suggested does not correct the basic and serious policy problems of deferring the capital gains tax to which I referred in my previous letter: The result of enacting the amendment would

be to abandon the basic principle that a capital gains tax becomes due when the investor changes his basic investment position. This principle would then become subject to increasing attacks and requests for special treatment in other situations.

In addition to this basic policy objection, the amendment continues to pose serious problems of administration and very possibly extensive litigation over the issue of "undue hardships," which concept was retained in the proposed amendment. Therefore, although the necessity of defining impracticality has been eliminated, this change has not vitiated the problems which I described in my previous letter because of the retention of the equally abstract concept of "undue hardship."

For the foregoing reasons, the Treasury Department remains opposed to the enactment to S. 698.

The Bureau of the Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely yours,

STANLEY S. SURREY, *Assistant Secretary.*

STATEMENT BY HON. EDWARD V. LONG, U.S. SENATOR FROM THE STATE OF MISSOURI

Mr. Chairman, I appreciate this opportunity to comment on the amendment Senator Symington and I have proposed to S. 698. The amendment would revise the Internal Revenue Code so as to permit, under certain circumstances, the proceeds obtained through involuntary conversions to be reinvested without payment of the capital gains tax in property not now authorized.

My concern about the present capital gains tax policy was aroused by landowners in western Missouri who are being forced to sell their property to make way for the Kaysinger Dam and Reservoir which will provide flood protection, hydro-electric power, water supply and recreation for hundreds of thousands of people. There are presently 71 authorized projects of the Corps of Engineers within a 200-mile radius of Kaysinger Dam, 107 projects within 300 miles.

The displacement involved to these projects is and will continue to be a major factor in many communities throughout the State. Under existing provisions of the Internal Revenue Code, if a taxpayer is forced by some external circumstance to change his investment position and reinvests the proceeds of a condemnation award in property which is similar or related in service or use to property converted, or which is of like kind with the property converted, then capital gains taxation is deferred.

In many cases, those being displaced are unable to locate or acquire similar property with their condemnation award. My proposal would provide a more equitable treatment in such instances where it was established that similar property is not available in the general vicinity, and where a landowner reaches the age when it is physically impossible to start a new enterprise. It would broaden the range of choice in the replacement of income producing property without the capital gains tax, to any type of real property, any trade or business property, and certain types of investment securities.

The Treasury Department, I understand, is opposed to the amendment. It has consistently taken a position against legislation to extend special tax treatment in the past. I firmly believe, however, that the situation is one which must be faced and one which deserves action. The issue is people whose lives are being disrupted, people who must bear heavy financial burdens so that all citizens will benefit from projects. We cannot turn our backs on these people.

The fact that the adoption of our amendment would result in a revenue loss to the government is not sufficient reason for ignoring the problem. Those whose lands are taken for the benefit of the general public should be afforded fair tax treatment. The thousands of farmers and local citizens being displaced as a result of the federal flood control program did not ask to have their property taken.

The Treasury Department is also concerned that the amendment would lead to extensive litigation to determine whether it was an "undue hardship" to require an investment in similar property in order to obtain deferral of the capital gains tax. The fact that there is no present judicial interpretation of this phrase which would be available to the courts should not preclude action.

A definition of the term should be easily established by consideration of the time for reinvestment now allowed under section 1033(a)(B) of the Code, the age of the landowner, and evidence of unsuccessful good faith efforts made to restore the former investment position. The burden of proof is placed on the taxpayer and should insure that the government is not presented with unreasonable litigation.

The proposal is not a new one. In various forms it has been advocated for several years. Conditions facing those displaced by increasing federal activities justify a careful examination of the situation.

STATEMENT BY HON. MILTON R. YOUNG, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, may I take this opportunity to thank you and the members of the Committee for holding these hearings at this time. I strongly support the amendment which has been introduced by our colleagues, Senators Symington and Long of Missouri to title VIII of S. 698.

This proposal would amend the Internal Revenue Code and make possible more equitable treatment for landowners forced to sell their property by condemnation or threat of condemnation for government programs such as flood control reservoirs, road construction, and similar projects. The current treatment of such cases has caused many hardships and the need for an effective change has long been felt.

In order for a landowner to postpone the payment of capital gains tax on property taken in connection with a government project, present law requires that he reinvest in real property. This requirement creates severe problems for many whose farms and businesses represent years and even generations of investment of time and money. For too many of these people it means either buying replacement property at inflated prices or breaking family and community ties and seeking relocation in a new area. This is asking these folks to pay a very high price for the progress of their country.

This amendment is patterned after a recommendation made in the 88th Congress in a staff study by the House Public Works Committee staff. It would permit the landowner to make income producing investments in nonreal property in cases where it would be impractical or would work a hardship on him and his family to buy replacement real property.

Let me cite just one example that has come to me recently. A North Dakota farmer had a substantial portion of land taken for right of way for an interstate highway. This did not take his whole farm, but it did reduce the size of the farm considerably. He is located in an area where land values are already extremely high and because many other farmers in the community were in the same position, he has been unable to purchase replacement land for anything like a reasonable price. This farmer is making a great sacrifice to progress. First, a substantial portion of his farm was taken for the highway. Secondly, he will either have to purchase replacement property at inflated prices or pay capital gains tax on the proceeds of the sale.

The proposed amendment is not a new idea, but it does differ in at least one important respect from other such suggestions. This amendment would require that the subject taxpayer establish that reinvestment in real property would work an undue hardship or would be impractical. I feel that this requirement more than meets the objections that have been made in the past that such authority would open a broad loophole in our tax laws.

Mr. Chairman, few, if any, of our great public works projects are ever constructed without creating some dislocation of businesses, farms, and families. A great deal of effort is expended to lessen the impact on those directly affected. I strongly feel that this amendment would be a great step forward in these efforts. There is good and ample justification for such action.

I cannot urge too strongly that action be taken now to eliminate this inequity. The amendment offered by the Senators from Missouri proposes an effective solution to this problem and I hope it will be approved at an early date.

I thank you for the opportunity to present these views to the Committee.

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.,
Washington, D.C., June 12, 1968.

Hon. EDMUND S. MUSKIE,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MUSKIE: We are pleased that your Committee on Government Operations is considering S. 698 which will establish a uniform relocation assistance policy, as well as other matters.

The necessity of such a policy is well established in that the various Federal programs have differing provisions regarding the relocation of people affected by their projects. Contact with church units throughout the country serving the people who have been affected by these programs impresses upon us the great importance of adequate and uniform relocation service.

Let me elaborate on what we mean by uniform relocation service: that each family or individual be treated the same for relocation regardless of the program which necessitates their relocation. The fact that a person has to relocate is the prime fact, and not the particular program which creates the problem. Congress in its wisdom may vary the financial or supervisory relationship the Federal Government has with various programs of highway building, public housing, or urban redevelopment. This variance however, should not extend to the treatment of the citizen.

We therefore urge that your bill contain provisions that—

1. provide funds uniformly to the persons and individuals involved and to the agency administering the relocation program;
2. insure that adequate funds are so provided—it seems that the provision of the first $25,000 of the cost of relocation contained in section 807(b) should be adequate in most cases.

Again, we emphasize the importance of this legislation. The process by which our cities are renewed is at least as important as the program of renewal. We trust that this legislation will focus on providing both uniform and adequate assistance to the citizen regardless of the variations between the Federal Government and the particular programs.

Sincerely yours,

JAMES A. HAMILTON, *Director.*

NATIONAL GOVERNORS' CONFERENCE,
Washington, D.C., June 7, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations, Committee on Government Operations, Senate Office Building, Washington, D.C.

DEAR SENATOR MUSKIE: In testimony by the National Governors' Conference before your Subcommittee on the Intergovernmental Cooperation Act, it was indicated that the Governors and the states are vitally concerned with the problems created by the action of federal, state, and local governments, which displace persons and businesses. Specifically, we are concerned about the role of the states in relocation assistance.

As was pointed out in our letter to you dated May 21, 1968, the states have begun to assume a more aggressive role in relocation efforts. While many states are meeting their responsibility for coordinating relocation efforts, we feel that a commitment from the federal government is needed if uniformity is to be realized in the near future. Title VIII of S. 698 providing for relocation payments of up to $25,000 in federally-aided programs is a logical first step in achieving a uniform policy of relocation assistance. The federal relocation payment would be contingent, of course, on the state or local agency's agreeing to provide assistance payments as prescribed by federal law.

In addition, however, serious consideration should be given to creating programs which would bring the states more fully into the relocation programs. Many state officials, for example, favor federal matching funds to the states to provide for a statewide relocation effort as complementing the provisions in title VIII of the Intergovernmental Cooperation Act (S. 698).

We trust that you will find these additional comments helpful. If we can provide you with further information, however, please feel free to contact this office.

Sincerely,

CHARLES A. BYRLEY,
Director, Office of Federal-State Relations.

STATEMENT OF HON. JOHN A. VOLPE, GOVERNOR OF THE COMMONWEALTH OF MASSACHUSETTS

Mr. Chairman, I appreciate very much this opportunity to present to you the views of the Commonwealth of Massachusetts on S. 698, and more specifically on title VIII, the Uniform Relocation Assistance Act.

As you know, I have supported very strongly the provisions of S. 698. I do feel that we in the Commonwealth of Massachusetts have had a unique experience with business relocation in highway and urban renewal programs. I believe this may be a helpful discussion in your studies of title VIII.

The Commonwealth has taken an active interest in the problems of relocation and two years ago established the only State Bureau of Relocation with authority to supervise and coordinate all government takings, including highway displacement.[1] We now have a body of knowledge and experience concerning displacement and the relocation process in the Commonwealth. A statewide survey conducted by the Bureau of Relocation makes it possible for us to project that during the next five years government takings will displace almost 22,000 families and individuals and over 7,000 businesses. (See Table A attached.) Most of this displacement will result from highway and urban renewal programs which receive Federal financing and which provide relocation assistance differentially.

Under our state law we are making rapid strides toward improving the planning for relocation, promoting the advance development of housing resources, and centralizing the provision of relocation services. However, in the important area of providing uniform relocation assistance payments, Congressional action is needed. For that reason, we support the adoption of title VIII of S. 698 which establishes such uniformity in federally aided and Federal programs. The bill affects both residential and business relocation payments, and I shall discuss the importance of both provisions.

Under title VIII of S. 698, moving expenses of households would be paid up to $200 and the following benefits would be added to all Federal relocation assistance:

1. The payment of $300 to displaced families who purchase homes will be of great assistance to low-income families who are often unable to make a purchase under favorable FHA terms because of the lack of a down payment (802(C)(3)). We favor this provision. Several of our Massachusetts renewal agencies have had success in relocating large low-income families in home ownership, but their efforts have been hampered by the lack of a fund from which down payments could be made. Even for middle-income families displaced from homes they own, the present high interest rate and the operation of the point system makes the purchase of a new home a burden. This small payment will mitigate the hardship to some extent.

2. A dislocation allowance equal to moving expenses but not more than $100 (802(C)(2)), and

3. A payment to certain public housing eligible households who move into housing at a cost of more than 20% of income. (This is similar to the relocation adjustment payment established under sec. 114 of the Housing Act.)

We believe these two provisions of the bill could be improved. We suggest that it is time for a thorough overhaul of categorical benefits. Experience has shown, in urban renewal, as in other programs, that categorical benefits with differential eligibility involve administrative effort which could more usefully be directed at solution of relocation problems. Furthermore, unreasonable inequities and inconsistencies flow from the categorical assistance programs.

The hidden costs of relocation to the displaced family affect all families—they may be increased rent, or abandonment of furnishings unsuitable to the new home, or deposits for rent, utilities and the like. It is particularly critical for poor families. Relocation workers spend much time presently finding resources to meet these payments for low-income families, and some times desirable housing is lost when these sums cannot be found.

Among the inequities inherent in the suggested payments is the fact that dislocation allowance would tend to be smaller for poor families with few belongings, surely not an intent of the drafters of the legislation.

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[1] The State of New Jersey also has a State Bureau of Relocation, but its authority does not extend to highway displacement, which accounts for about 40% of displacement in most states.

The relocation adjustment payment, made only to those public housing eligible families who do not receive public housing and who pay more than 20% of the income, has two inconsistencies. First, one of the basic protections of the bill is that displacement is not to take place unless there is advance assurance that adequate housing, at prices they can afford, will be available to these families. Payment of a RAP indicates that this requirement is not being met. Second, the adjustment payment only defers the hardship upon the family for two years. At the end of that period the payment ceases, and the household is left in housing which is beyond its means.

A final criticism of the RAP program has been its excessive administrative requirements. Income eligibility, absence of suitable public housing, and the rent paid in new accommodations, all must be documented and audited. Dedicated relocation workers spend more hours trying to establish eligibility and to secure this benefit for their clients. The line is fine, and receipt of the benefit depends upon the skill of the worker, rather than the need of the household.

We have gone into this in some detail in order to lay the groundwork for a recommendation which would eliminate both of the special payments, and provide instead a dislocation payment to all displaced families, on a sliding scale, reflecting the size of the family, with a minimum of $100. Coupled with adequate moving expenses, which would include loss of property, this would assist the relocation process and provide equitably for the expenses incurred in these forced moves.

If displaced persons cannot find housing within their means, other assistance must be made available; for example, an expansion of the section 23 leased housing program, to provide a subsidy to rent in the private market. This program has worked very well in a number of communities in the Commonwealth, providing incentive for rehabilitation of private properties, increasing the tax rolls, and improving the quality of housing available to low-income families.

Turning now to the problem presented by the present differential in business relocation payments, as you know, a business displaced by a federally aided highway is able to recover only a maximum of $3000 toward its moving expenses and receives no other benefits. On the other hand, in the Commonwealth, businesses displaced by urban renewal receive full moving expenses, in addition to other benefits, including a small business adjustment payment and reimbursement for property loss. Sometimes, as with the Inner Belt in Boston, the highway displacement occurs on one side of a street and urban renewal displacement on the other, with disastrous results from the unequal assistance given. There is attached as an appendix to this statement an analysis of past and projected displacement of businesses in the Commonwealth, which details the liquidation rate and the moving expenses of displaced businesses. From this it will be seen that displacement of businesses due to public takings during the next five years is projected to amount to more than 7000 units, of which 42% will be generated by highways and 56% by urban renewal.

For this reason, we regard the provision of uniform payments for full moving expenses in all federally aided displacement as essential. If prior experience holds for future displacement, fully one quarter of the businesses which move from highway rights-of-way in the Commonwealth will incur moving expenses in excess of the $3000 presently paid.

The proposed legislation provides $5000 (or one year's net income) as an optional payment instead of moving expenses. This payment is also available to businesses which discontinue operations. It eliminates a $2500 small business adjustment payment in the present HUD funded programs, and would be entirely new to the highway program. Previous experience in the Commonwealth indicates that about 90% of highway business displacement would be eligible for such payments. In addition to being advantageous to businesses which are seriously dislocated as a result of forced moves, this flat sum would eliminate much of the paperwork and administrative overhead of business relocation. One of the most serious complaints of businessmen in urban renewal areas has been the amount of documentation necessary for reimbursement of moving expenses. Many of them are unable to spend the time necessary to secure documentation. At the same time, business relocation workers in renewal projects estimate that they spend about half of their time on paperwork associated with processing claims for reimbursement. The elimination of this amount of red tape would free relocation workers for really helpful tasks related to successful relocation of businesses. Although the amount paid to businesses is larger than the former

HUD displacement payment, in the end administrative savings may well result in fiscal savings.

While provisions of more adequate relocation payments will not prevent liquidate of some displaced businesses, notably those with elderly proprietors, for many small undercapitalized businesses, the provision of full moving costs will make the difference between successful relocation and the painful decision to go out of business. An analysis of past experience in the Commonwealth shows that while 25% of businesses displaced by urban renewal liquidate, for highway displacement this figure is now 35%. There appears to be a definite relationshp between the adequacy of relocation payments and the higher liquidation rate.

Projection of past experience also indicates that the uncompensated moving costs under present highway restriction of $3000 will reduce the net worth of more than 500 businesses and will adversely affect their working cash position.

Therefore, the Commonwealth urges the adoption of a Uniform Relocation Assistance Act in order to assist more adequately the relocation of households from federally financed projects, and in order to provide for relocation assistance to businesses which will minimize the liquidation rate of displaced businesses, end the inequities between programs operating in the same communities, and reduced the hardship upon businesses forced to move for the benefit of the general public.

In conclusion, we all know that relocation has been a major source of controversy in capital improvement programs today. It can be expected that this tension will grow as more public works projects come into being. If the relocation programs can be made more effective and more equitable, the development process could be smoothed and improved, greatly to the benefit of those displaced and the community as a whole.

TABLE A.—ESTIMATED DISPLACEMENT OF HOUSEHOLDS AND BUSINESSES BY GOVERNMENT ACTION, COMMONWEALTH OF MASSACHUSETTS, 1968–72

Takings by—	Residential				Businesses	Percent
	Family	Individuals	Total	Percent		
Renewal	5,085	3,942	9,027	42	3,871	56
Highway	10,627	71	10,698	49	2,979	42
Other	1,438	639	2,077	9	181	2
Total	17,150	4,652	21,802	100	7,031	100

Source: Commonwealth of Massachusetts, Bureau of Relocation. Derived from estimates furnished by agencies with eminent domain power.

Appendix A

This summary of business displacements for the period 1964 through 1967, and projections for 1968 through 1972 serve to emphasize the increasing seriousness of the economic hardship on the businesses displaced incidental to Federal or federally assisted highway programs.

Based on actual displacement reports received from all taking agencies within the Commonwealth, the following has been established:

Reported displacement experience

Urban Renewal.—1964 through 1967, 3623 business units were displaced. Relocation case records indicate the total relocation experience is as follows:

(*a*) 2717 (75%) units relocated with move expenses

(1) 2078 (75.4%) with relocation costs under $3000.

(2) 441 (17.5%) with relocation costs over $3,000 but under $10,000.

(3) 154 (5.6%) with relocation costs over $10,000 but under $25,000.

(4) 42 (1.5%) with relocation costs over $25,000.

(*b*) 906 (25%) units ceased operations incurring no move expenses but received property loss, small business displacement payments and other benefits.

Federal and Federally Aided Highway Programs, 1963 through 1967, approximately 246 units displaced. Relocation case records indicate:

(*a*) 217 (75%) units relocated with move expenses reimbursed up to $3,000.

(1) 143 ($65.9%) with relocation costs under $3,000 paid in full.
(2) 61 (28.1%) with relocation costs over $3,000 paid only $3,000.
(3) 13 (6%)[1] with relocation costs over $25,000 paid only $3,000.

PROJECTED DISPLACEMENTS 1968 THROUGH 1972

Urban Renewal activities indicate 3870 units will be displaced during this period. There is no reason to believe that the relocation experience will vary substantially from the 1964 through 1967 period.

Federal and federally aided Highway Programs project a displacement of 2979 units during this period, a 1400% increase over the past five years. During this five-year period there will be three units displaced by highway programs for every four units displaced by Urban Renewal.

If the broader base urban renewal experience factors are applied to the projected highway displacement, the results are:

(*a*) 745 units (25%) will cease operations—liquidation or other—without benefits.

(*b*) 2,234 units (75%) would normally be expected to relocate:

(1) 1675 units (75%) with move expenses within the present $3,000 limit.
(2) 400 units (17.5%) with move expenses over $3,000, but under $10,000.
(3) 125 units (5.6%) with move expenses over $10,000 but under $25,000.
(4) 34 units (1.5%) with move expenses over $25,000.

Most recent national statistics indicate a liquidation rate of 25% for urban renewal activities and 35% for federal highway programs. It can be reasonably expected that 10% of the 560 units with move expenses in excess of $3000 will liquidate due to inadequate relocation compensation. The average number of employees in this business category is slightly over 4 per unit indicating a permanent loss of 224 job opportunities for the area. The other 500 will in relocating experience unwarranted economic hardship, in that the uncompensated move costs will reduce their net worth and, more importantly, their working cash position. This loss of course puts them in an inferior competitive position with both urban renewal relocatees and those businesses not displaced by either program.

As indicated above an additional 745 units can be expected to liquidate for noneconomic reasons, but accelerated by the forced displacement. A gross inequity exists in that these business displacements will not receive the minimal compensation granted to similar displacements due to urban renewal activities. This type of business liquidation almost without exception, involves an elderly business man with a non-salable business due to impending displacement and because of age with no alternatives but to accept the economic loss due to liquidation.

NATIONAL LEAGUE OF CITIES,
U.S. CONFERENCE OF MAYORS,
Washington, D.C., June 18, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Senate Subcommittee on Intergovernmental Relations, Senate Office Building, Washington, D.C.

DEAR SENATOR MUSKIE: Please accept this as a supplemental statement to our testimony on S. 698, the Intergovernmental Cooperation Act. The National League of Cities and U.S. Conference of Mayors wishes to reiterate its strong support for title VIII of S. 698 dealing with uniform relocation policy.

In particular, we would like to comment upon section 807(b) which provides that the Federal government shall contribute the first $25,000 of the cost of providing a relocation payment to any displaced person. Such authorization is the most significant step taken by the Federal government in the history of

[1] Urban Renewal experience is 1.5%.

federal financial assistance for relocation and is most welcome by municipalities. While the price to the Federal government at first glance would appear high, the uniformity spread over the entire federal relocation assistance program accompanied by the other provisions of this title which will help overcome or substantially reduce the far more costly delay, confusion and frustration that now prevails from the welter of relocation policies, (with ensuing increased construction costs, expensive court suits, etc.) will by far, more than compensate for whatever additional program expense section 807(b) may create for the Federal government.

As the Bureau of the Budget pointed out the effect of the proposal (section 807(b)) would be to have the Federal government assume almost all relocation payments. We believe this to be fair. However, the Bureau of the Budget stated that it sees "* * * no reason to exempt the first $25,000 from the usual [program] sharing requirements." The rationale for this suggestion appears to be one of economy.

We strongly oppose this suggestion. The adverse effect of this proposal on municipalities would not be worth the questionable savings to the Federal government.

The Federal highway program is the greatest consumer of federal relocation dollars and moves far more people than any other federally assisted program. Under the B.O.B. proposal, the Federal government would still have to bear 90% of the relocation costs. The additional 10% of the cost could be absorbed far more easily by the Federal government than by an individual city faced with relocating an exceptionally large number of businesses and families because of highway construction. For example, most of the large relocation task in order for the city of Nashville as cited by Mayor Briley, will be caused by construction of Interstate 40.

Moreover, this proposal fails to recognize the already considerable expense borne by a city in any relocation undertaking, be it federally assisted or not. Most federal programs involving relocation require that cities have working relocation programs in effect before they become eligible for federal relocation assistance. A city must, therefore, provide a whole range of services, including planning, at its own expense aside from the federal assistance it would receive.

In some cases, notably urban renewal where a ⅔–⅓ matching formula generally prevails in the basic program, a similar matching requirement for relocation expense would reduce the amount of relocation assistance presently received by cities from the federal government. Thus, introducing a variety of matching formulae defeats the objective of uniformity title VIII seeks to achieve.

In summary, cities deeply involved in revitalizing themselves are already pressed to the limits of their financial ability by the sheer costs of such revitalization including the major expenditures required to match federal assistance. The effect of the B.O.B. proposal would be like the straw that broke the camel's back to many cities or at least to bring about further delays while additional local matching funds are literally "scrounged" out of other monies already tightly budgeted for local programs.

We also oppose the suggestion that the effective dates of sections 807, 808 and 810(a) (4), (5), (6), (7), (8), (9), and (10), be delayed three years after enactment of the bill. We see no reason why it should take three years for federal assignment of new responsibilities and drafting of new regulations. We fully believe these provisions should be applicable with the 180-day period assigned the rest of the bill so that local governments can immediately be relieved of the financial strains and other improper conditions title VIII seeks to correct.

In conclusion, we strongly urge that section 807(b) not be amended as the Bureau of the Budget has suggested.

For the Committees' additional information, we are submitting a statement filed jointly by the National League of Cities and National Association of Counties with the House Public Works Committee on the subject of relocation and the highway program.

Sincerely,

NATIONAL LEAGUE OF CITIES,
PATRICK HEALY, *Executive Director.*
U.S. CONFERENCE OF MAYORS,
JOHN GUNTHER, *Executive Director.*

SUPPLEMENTARY STATEMENT OF NATIONAL LEAGUE OF CITIES AND NATIONAL ASSOCIATION OF COUNTIES

THE PROBLEM

In many urban areas, highway improvement programs, particularly on the interstate system, are stalled by mounting citizen opposition. These delays not only put off the date when these roads can be completed, to the great benefit to the nation, but also significantly raise the cost of completion of the delayed roads because of inflation of highway building costs and heavy extra expense often involved in redesigning roads to allay citizen opposition. A major factor creating this opposition is the relocation program which is carried out in connection with current highway projects.

Presently, displaced persons and businesses often must bear substantial economic losses which go uncompensated by the relocation program. In addition, the accommodations which displaced persons and business finally obtain are often inferior to those which they were required to move out of. The problem is particularly acute in low income areas where decent accommodations are in short supply. This problem is aggravated more for minority groups who have difficulty obtaining accommodations, or the credit to finance these accommodations, in areas where decent, safe, and sanitary housing and business locations are in adequate supply. In addition to difficulties associated with the highway relocation program, the disparity between relocation assistance under the highway program and relocation assistance under other programs, such as urban renewal, creates further citizen misunderstanding and opposition in highway projects.

Individual attempts are being made by some local governments to minimize problems which relocation programs presently pose. However, federal aid to improve relocation programs is needed because only the Federal government has the financial resources necessary to support and improve relocation programs on the same broad scale as the federal grant-in-aid programs which, in their implementation, cause many of the relocation problems.

The highway program is neither the best, nor the worst, of the federal programs which may require citizens to relocate. Some programs, such as those carried out by the General Services Administration, provide no compensation for relocation expense at all and only the fair market value for property that is taken. However, the highway program, because of its magnitude and the admitted inadequacy of its relocation program, is perhaps more associated with relocation difficulties than any other program. In 1967, the Department of Transportation estimated that 48,983 families and 5,559 businesses will be displaced annually between now and 1970. Thus, improvement of relocation efforts under the highway program is crucial to a general improvement of relocation practices associated with federal grant-in-aid programs.

SUGGESTED IMPROVEMENTS

To correct present deficiencies in the relocation provisions of the Federal Aid Highway Act and to reduce citizen opposition to highway construction programs, the National League of Cities and the National Association of Counties urge that the relocation provisions be revised to include the following elements.

(1) An equitable relocation program, once established by the Congress, should not require authorization by each individual state in order to become effective in that state. The present relocation program is generally admitted to be inadequate even in those states that have authorized the full payment prescribed in the Highway Act, yet fourteen states have not authorized expenditure of any money for relocation programs and a number of others have authorized less than the amount permitted by the Highway Act. Inaction of individual states should not be permitted to thwart development of a national highway system by continuing inequitable relocation policies which raise citizen opposition and stall highway improvements. Section 133(c) of the Highway Act should be amended to assure that the relocation program will apply in all states, regardless of state inaction.

(2) The new relocation program must require that adequate provision be made for relocation of persons and businesses to be displaced by the highway program *before* demolition of property begins. Section 133(b) of the present Highway Act requires the states to give assurance that relocation "advisory assistance" be provided to families displaced by highway projects. This is not

enough, the Act should require that before displacement begins, new quarters should be actually identified for all those to be displaced; families, individuals, and businesses, whether they be tenants or owners of the property. An approved relocation plan should be a condition precedent to approval of any highway project.

The recent report to the Congress by the American Association of State Officials notes:

Purely from the humanitarian point of view, and to be fair and equitable to those who are inconvenienced by the construction of needed highway facilities, ways and means of supplying adequate, sanitary housing before actual construction starts on the highway project must be found.

The Advisory Commission on Intergovernmental Relations has stated:

"The Congress should require that state and local governments administering federal grant programs assure the availability of standard housing before proceeding with any property acquisition that displaces people."

(3) To the extent possible, federal programs should be designed so that relocation activities in connection with various improvement programs can be coordinated under one relocation agency. Presently, relocation is the secondary concern of various agencies responsible for implementing improvement programs requiring relocation. Assigning relocation responsibility to a single agency whose primary concern and experience would be in the field of relocation will assure more equitable and efficient relocation of displaced persons, while leaving the normal operating agencies free to pursue their assigned responsibilities in connection with construction programs to improve urban areas. Federal grant-in-aid programs must be reviewed to assure that participation of a separate relocation agency, as an integral part of implementing the grant program, will be permitted, and can be supported.

(4) Efforts must be made to eliminate the great disparity which presently exists between relocation programs in connection with various federal, state and local improvement programs. There is much discontent with the highway relocation program in urban areas because relocation payments under the urban renewal program are so much greater than those under the highway program. This disparity of payments is very difficult for citizens displaced from similar properties to understand and creates much frustration for those receiving the lower payments. In addition, if a single relocation agency is to be responsible for the relocation program, as we believe necessary, great disparity in relocation payments must be eliminated.

(5) Finally, the most important, a new highway relocation program must make the displaced person whole again. It must place him in a home or business at least equal to that he had before, and on the same terms and conditions as he enjoyed before relocation. If this cannot be done, the individual should receive adequate compensation for his loss. In many cases, particularly in lower income neighborhoods with a limited supply of comparable housing and business locations, payments above the fair market value of the acquired property and above the limited compensation for moving expenses presently provided will be necessary.

Title VIII of H.R. 5523, the Intergovernment Cooperation Act, would equalize relocation payments made in connection with Federal grant-in-aid programs, and substantially improve the level of relocation compensation available. Title VIII would permit the federal government to reimburse 100 percent of state and local government payments for relocation expenses and damages up to $25,000 for each individual or business displaced as a result of a federally aided program. A cost sharing formula is established for any portion of relocation costs above $25,000 per displacement. We believe that this is an excellent approach and would broaden relocation compensation sufficiently to limit much of the frustration that now occurs over the compensation problem.

The Advisory Commission on Intergovernmental Relations estimates that application of this formula to the highway program would raise relocation costs by approximately $29 million annually. It is our opinion that by adopting this approach expensive delays and revision of highway plans occasioned by citizens opposition would be avoided, and that the total cost of constructing the highway would actually be reduced. As the recent report of the American Association of State Highway Officials notes in citing the need for a greatly expanded and more expensive relocation program:

"Some of the efforts to save existing homes, many of which are in run down condition, involve expensive additional construction costs for retaining wall con-

struction, and the like, to restrict the right-of-way widths so that the homes in question can be left in place. In fact, the additional highway construction costs involved may run to more than twice the cost of new replacement housing.

"This additional cost is a rather substantial item when considering the very real cost of substantial delay in getting the project under way and under traffic, for highway costs definitely increase each year that the project is delayed."

Over the past few years, it has been estimated that highway costs have risen annually about three percent as a result of inflation, however, reports by AASHO indicate that presently inflation may be raising costs five or six percent annually. A report by the city of Chicago indicated that last year highway construction costs in and around Chicago went up 12% as a result of inflation. If these more recent inflation pictures are projected onto the whole highway program, or at least that part of it in urban areas, the very real benefits from avoiding delay attributable to opposition to relocation programs and other factors are apparent.

STATE LAWS

Some states have passed laws to reduce the inequities of relocation programs in their states. We cite some provisions of these state laws which we believe deserve consideration for adoption as part of any new federal highway relocation program.

The State of Pennsylvania, in 1964, adopted a relocation law which provides a standard of "just compensation" for relocation. This standard consists of paying the fair market value for real property, plus certain other damages. Payments for these other damages is available to both owners and tenants. These damages include: (1) reasonable expenses for removal, transportation, and installation of machinery, equipment, or fixtures, not to exceed $25,000 and in no case to exceed the market value; (2) business dislocation damages, up to $5,000, where it is shown that the business cannot be relocated without substantial loss of patronage; (3) moving expenses for personal property not to exceed the market value of the personal property.

A Massachusetts law requires that any proposed acquisition involving displacement of occupants of more than five dwelling units or more than five business units may not proceed until the State Relocation Bureau has approved a relocation agency and a relocation plan for the project. The relocation plan must include evidence of the "availability of safe, decent, sanitary housing and commercial buildings within the means of the occupant to be displaced," it must also include a program for relocation of the occupants.

The State of New Jersey required the commissioner of the Department of Community Affairs to certify that displacing agencies have workable relocation assistance programs in effect before forcing anyone to move.

The State of Maryland has recently passed a law which allows owner occupants to be compensated for the difference, up to $3,500, between the fair market value of their property and the average cost, within the same political subdivision, of a decent, safe, sanitary dwelling generally comparable in size to the dwelling being taken.

LOCAL ACTION

Principal focus for change in relocation policies must be on the states and the Federal government.

City activity in relocation is generally governed by the limitations of state statutes and court decisions controlling payments above fair market value. Cincinnati, Ohio is presently developing a program of relocation payments for city programs. Under the program, the city would be authorized to pay $200 per family and $3000 per business for moving expenses. Before this year it had not been thought that municipal relocation payments were permitted by state law, so the only relocation payments made were those reimbursed by the state or Federal government.

In the City of Detroit highway relocation payments are generally in accordance with the scale set in the Highway Act, however, a study of one relocation area indicated that relocated individuals and families were paying rents in their new quarters which averaged 16% above their rentals before relocation.

In Atlanta, Georgia relocation payments are also made according to the standard set in the Highway Act, with the state making the payments after they are requested by the local relocation agency. Atlanta goes beyond the state requirements for finding people housing, however, and helps the people to be relocated make contact with those who might provide them new quarters.

NATIONAL ASSOCIATION OF COUNTIES,
Washington, D.C., June 14, 1968.

Hon. EDMUND S. MUSKIE,
Subcommittee on Intergovernmental Relations, Senate Office Building, Washington, D.C.

DEAR ED: This is a follow-up to our testimony of May 14 to advise you that the National Association of Counties is strongly in favor of section 807(b) of S698, the Intergovernmental Cooperation Act of 1968, which would permit the federal government to reimburse 100% of state and local government relocation costs up to $25,000 for each individual or business displaced as the result of a federally-aided program. A cost sharing formula is established for any portion of the cost above $25,000 per displacement. We believe the approach you have taken in your bill is a most desirable and workable one. It would broaden relocation compensation sufficiently to reduce much of the frustration now occurring at the local level over the compensation program.

We feel strongly that by adopting this uniform approach, expensive delays and reviews of plans occasioned by citizen opposition would be avoided. This relocation problem has also become most apparent in hearings we have testified at on the federal highway program. The great disparity between relocation assistance under that program and under other programs such as urban renewal creates terrific citizen misunderstanding for our local officials. Altho individuals attempts are being made at the local level to avoid some of the problems which federal relocation programs presently pose, uniform program of federal assistance for all its myriad relocation programs is desperately needed.

The testimony of Mr. Hughes of the Bureau of the Budget indicated some problems that the Bureau had with section 807(b). As our witness on May 14, Gladys L. Spellman, chairman of the Board of County Commissioners pointed out, any attempt to turn back the clock and require local and state governments to provide relocation matching assistance in the same proportion as the grant-in-aid matching ratios, would be catastrophic.

We believe it is impractical and unrealistic to expect a rolling back of HUD programs, not only urban renewal, but also Model Cities, which relocation assistance would go below existing arrangements. Fiscally, the savings would not be very significant in that BOB proposes that a basic formula prevail, and in the case of our federal highway program, the largest relocation assistance program, the matching ratios would be 90–10.

Title VIII would necessitate states and local governments to enact legislation permitting their governments to enter into contractual relationships. Local bodies will have to seek immediate enabling legislation in order to continue programs they are now in. Furthermore, the $25,000 maximum figure takes away much of the sting in making relocation programs uniform at the local level. The Bureau of the Budget proposal, on the other hand, sets an effective date of 3 years after enactment. This would serve to avoid most of the land-acquisition problems in the federal interstate highway program. The BOB position is that this 3 year interim period would give legislatures time to tool up for the change. I might suggest that a more subtle reason might be to save federal money during this most critical point in our federal spending. We believe that the effective date must be immediate in order to make the job of enabling local legislation easier. The $25,000 provision of section 807(b) would facilitate immediate enabling legislation by our local governments.

In conclusion NACO believes that the federal government must find the financial resources necessary to support and improve our present relocation programs. Congress can make the programs fair and uniform for all concerned by enactment of title VIII in S698.

Sincerely yours,

BERNARD F. HILLENBRAND, *Executive Director.*

NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS,
Washington, D.C., June 5, 1968.

Mr. CHARLES M. SMITH,
Staff Director, Subcommittee on Intergovernmental Relations, Senate Office Building, Washington, D.C.

DEAR CHARLES: NAHRO is glad to respond to your request for our opinion on the proposal of the Bureau of the Budget that relocation payments be shared under a matching formula, rather than reimbursed in full by the Federal government.

We have a number of observations related to: (1) past experience in Federal assistance to relocation (2) practical questions in achieving adequate relocation assistance (3) the elements of uniform relocation assistance and (4) the role of the Federal government in relocation assistance.

PAST EXPERIENCE IN FEDERAL ASSISTANCE TO RELOCATION

Under the Housing Act of 1956, a system of 100 percent reimbursement was established for relocation payments under the urban renewal program. This was extended to the public housing program in 1964. Under this system, local public agencies administering urban renewal and public housing established relocation service offices and began to disburse payments and give assistance to all those displaced. Over the period of the last ten years, payments made to displacees have universally met the standards set in the Federal statute. With the assistance of the Federal government, local public agencies have been able to gain experience and insight into the whole problem of displacement. The urban renewal program has performed a leadership role in understanding the effects of displacement and bringing assistance to those displaced. It is on the threshold of organizing even more effective relocation techniques and assistance.

The Federal Highway Act of 1962 provided for relocation assistance on a matching basis of 90 percent to ten percent. Under this system, only some 20 States have elected to avail themselves of Federal funds, and a number of these do not pay the maximum benefits permissable under the Federal statute. Moreover, the laws in these some 20 States, except for a handful of exceptions, cover reimbursement only for moving costs, and only for federal-aid highway displacement.

If experience under these two systems in the past is any criterion, than meeting the standards set in Federal statutes and moving ahead to set up effective relocation operations on the State and local level, is far more likely under a 100 percent reimbursement schedule.

PRACTICAL QUESTIONS IN ACHIEVING ADEQUATE RELOCATION ASSISTANCE

As noted above, only some 20 States have established legislation which authorizes relocation assistance—and only six of these States have laws which cover reimbursement beyond moving costs and federal-aid highway displacement. Based on past experience, it is not likely that changes would or could be made in State laws, within the three year time schedule set in the proposal of the Budget Bureau, to make a shared-cost system workable. One of the important rationales in establishing a 100 percent reimbursement schedule in the urban renewal program in 1956, was doubt as to whether State constitutions and laws would permit local public agencies to extend compensation in excess of awards for property acquisition. This is still a serious constraint on a shared-basis for relocation assistance.

Conversion of the urban renewal and public housing programs to a shared system of relocation assistance at this time could be a serious set-back to the relocation progress which has been made over the past decade. Local communities, already in financial distress, would be required to find a matching contribution in most cases equal to one-third of total costs. Any inability to do so would undoubtedly result in discouragement and frustration among displaces themselves, particularly if this involved a step-back from the benefits currently being given.

THE ELEMENTS OF UNIFORM RELOCATION ASSISTANCE

Two factors relate to the rationale for a uniform policy of relocation assistance by the Federal government. First, relocation assistance has come to be recognized as a unique governmental function, with an identity of its own, not basically affected by the type of improvement activity which causes displacement. Under such an understanding, it does not seem logical or equitable for the Federal government to reimburse relocation assistance in one federally-assisted program to a greater degree than in another, as would happen if the current matching formulas should be used as the basis for reimbursement: (for example, interstate highway displacement would be reimbursed on a 90–10 basis, while most reimbursement for urban renewal would be on a ⅔–⅓ basis.) A second factor is that the administrative ground-rules for reimbursement, as well as the level of reimbursable payments, should be considered in the establishment of a uniform relocation assistance program by the Federal government. Only such a system can truly be called "uniform."

THE ROLE OF THE FEDERAL GOVERNMENT IN RELOCATION ASSISTANCE

The Federal government must continue to perform a leadership role in bringing relocation assistance to all those displaced by public action. The goal of the present title of S. 698—uniform relocation assistance for all those displaced by Federal or Federally-assisted programs must be made a reality. The surest and most effective way to achieve this goal is for the Federal government to provide for 100 percent reimbursement of relocation costs. Such action by the Federal government would also provide the quickest way to stimulate State and local governments to take responsibility for providing assistance for those displaced by State and local improvement programs. At the present time, about half of all displacement comes from State and local public programs, not related to Federal assistance. Already, the role of the Federal government in bringing assistance to those displaced by Federally-assisted programs is bringing actions to provide similar benefits for non-Federally-related displacement.

For all of these reasons, NAHRO favors the establishment of a 100 percent Federal relocation assistance for all Federal or federally-aided programs which cause displacement.

Sincerely yours,

JOHN D. LANGE, *Executive Director.*

STATEMENT OF ANGUS MCDONALD, DIRECTOR OF RESEARCH, NATIONAL FARMERS UNION

Mr. Chairman and members of the committee, although we cannot qualify as experts in the field of state and local taxation and programs which make available to the states grants-in-aid for various purposes, we feel that this legislation is a step in the right direction inasmuch as it would, if enacted and administered properly make systems of states, grants-in-aid and various programs initiated by the Federal Government more consistent in carrying out the objectives of Congress.

Our impression is that the several states administer grants-in-aid in various different ways depending on the local situation. It has been reported that in some instances grants-in-aid by the Federal Government were used to reduce or substitute the amounts available appropriated by the state. If this is true, we think it is a subversion of the Congressional purpose.

The plight of the states and local tax districts in regard to the availability of needed funds is well known. Although we do not favor the turning over of Federal funds to the states without standards or strings attached, we would hope that the some 220 grants-in-aid programs would be continued and expanded and that this legislation would lead to greater efficiency in the administration of programs.

We would hope also that the legislation would encourage the states to rely more on income taxes as a source of revenue. We note from a recent report titled "State and Local Taxes" authored by the Advisory Committee on Intergovernmental Relations, that of the thirty-one billion, nine hundred and ten million total dollars collected by states in the year 1967, only two billion, two hundred and twenty-seven dollars were derived from corporate net income taxes. In view of the substantial reduction in corporate taxes effected by Congressional law, we hope that the states will rely more heavily on corporate taxation and taxation of wealthy individuals.

The Farmers Union has recently supported the principle of ability to pay taxation in a resolution passed unanimously at our national convention in March 1968. This principle was reaffirmed on May 27, 1968 in a statement issued by the Executive Committee of the National Farmers Union which called for the imposition of excess profit taxes to meet the current fiscal emergency.

Billions of dollars annually are realized by foreign corporations from investments in the various states. Stockholders residing in New York, Boston, Pittsburgh and other financial centers drain Southern and Western States of their financial resources contributing little for welfare and educational purposes.

STATE OF VERMONT,
Montpelier, May 20, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, Senate Office Building, Washington, D.C.

DEAR SENATOR MUSKIE: In October of 1967, the 59th Annual Governors' Conference passed a resolution urging "enactment without delay of the Joint Funding Simplification Act."

This recommendation reflects the growing concern of the Governors with proliferation of federal grants-in-aid. More specifically, it reflects concerns about the increasing complexity in responding to federal grant offerings so as to carry out national and state purposes.

We have long urged, in testimony before the Committees of Congress and by resolution at our annual meetings, the need for streamlining and simplifying the procedures which govern the flow of federal funds to the states, as well as to other governmental jurisdictions. As Governors, we welcomed the President's message of March 1967 in which he took cognizance of the proliferation of grant-in-aid programs as contributing to red tape and delay, placing "extra burdens on State and local officials."

In that message, the President proposed general legislation making it possible "for federal agencies to combine related grants into a single financial package thus simplifying the financial and administrative procedures." The Joint Funding Simplification Act was drafted to facilitate such simplification of financial and administrative procedures.

To give greater specificity to the consideration of this Act, the National Governors' Conference Committee on Revenue and Taxation, of which I am chairman, solicited from the Governors their experience in packaging of federal grants to achieve state objectives. Review of these experiences suggests that legislative authorizations called for by the Joint Funding Simplification Act would—

(1) permit the more effective use of federal funds in carrying out congressional intent as well as state objectives;

(2) avoid the delays involved in sorting out the multiplicity of grant provisions now available;

(3) facilitate the adoption of packaged grant programs to move forward more rapidly and in concert with state policies; and

(4) reduce the cost to the states in applying for and receiving federal funds.

Responses from the Governors thus indicate the urgency of action as a beginning step toward removing barriers to packaging of federal grants-in-aid. Differences in administrative rulings, in accounting provisions, in plan submittal

requirements, coupled with the variety of appropriation provisions, stand in the way of effective use of federal aids by the states in carrying out national and state objectives. The attached statements abstracted from the responses of the Governors indicate that combined packages of federal grants have not been successfully worked through under existing legislation.

The nation's interest in industrial development in the backward areas would be pursued more effectively if a number of grant programs could, in fact, be put together to help the states carry on the intent of, for example, the grants administered by the Department of Transportation and the Economic Development Administration.

Water pollution control would be achieved more rapidly if grants from several agencies could be combined.

Rural water and sewer planning could be advanced by combining funds of the Department of Housing and Urban Development and the Department of Agriculture.

The pursuit of health services in the neighborhoods, of health care for migrant workers, of child welfare services, could be greatly enhanced if the appropriate grant provisions could be combined.

It is clear from the reports of the Governors that where the federal agencies have taken the initiative, such as in combining through a single plan submission of separate grant programs, such combinations have been worked through with reduced processing time and reduced expenditure of funds by the states in applying for and receiving federal assistance. The joint plan submissions for title VIII of the Housing Act of 1964 and title IX of the Demonstration Cities and Metropolitan Development Act of 1966 serve as a model for what might be done.

In response to the President's Quality of Government Message several federal agencies have sought to develop other packages of federal aids. The recent endorsement by the U. S. Office of Education of a combined packaging of educational aids proposed by the State of Texas provides a design for comprehensive packaging and planning of federally assisted educational programs. The state plans for the Elementary and Secondary Education Act, titles I, II, III, V and VI, the National Defense Educational Act, titles III and V–A, the Vocational Education Act of 1963, and the Educational Professions Development Act of 1967 are to be modified to permit the packaging of federal funds for these programs, and the use of the funds in accord with the developed state coordinated policy. Local school districts in harmony with this policy may generally submit single plans for federal aid and single reports.

In other instances, where the intent has been to package federal aids, authority was not available that could facilitate and encourage such combinations. Delays in processing, developing out of precise reviews of differences in legislative authority, create barriers to such packaging in the absence of new legislative authority. As one Governor points out the progress toward program simplification has been haphazard because of the absence of a strong federal commitment, an absence which in part is attributed to lack of clear legislative authority.

We would welcome the inclusion of this letter and attached materials in the record of hearings on S. 2981, the Joint Funding Simplification Act.

Sincerely,

PHILIP H. HOFF,
Governor.

(1) Has any single agency in your state (or combination of agencies) been successful in packa... or more federal grants to achieve a specific state objective under existing federal legislative authority? If so, list the federal grants ... be combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Technical assistance and training	Title VIII, Housing Act, and title IX	U.S. Department of Housing and Urban Development.	State department of community affairs.

(2) Please cite examples where a state agency (or combination of state agencies) has been unsuccessful in their attempt to package federal grants, or discouraged from such attempts by presumed lack of federal authority. Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Planning	701 urban planning, BOR planning, and PPR planning.	HUD, Interior, and DOT	Development commission, highway department agriculture and natural resources, and department of finance and control.

General Comments

Except for one application to the Department of Housing and Urban Development for a program under title VIII of the Housing Act of 1964, as amended, and title IX of the Demonstration Cities and Metropolitan Development Act, which has received tentative approval, we have not been successful in packaging two or more federal grant applications into one proposal to achieve a specific State objective.

We have, on several occasions, sought to enhance our applications by providing a combined program description; however, applications had to be reduced to individual applications to each Federal agency for its portion of the total program.

It is recognized that joint funding by more than one Federal agency of specific State objectives, which often also involve more than one State agency by packaging applications, state plans, and/or project proposals, represents a major departure from existing grant-in-aid procedures at both the State and Federal levels. Packaging arrangements authorized by the Joint Funding Simplification Act appear to be adequate in the light of present State policies and procedures. Experience will no doubt point up problems inherent in the proposed legislation, as well as additional steps which can and should be taken.

Federal agency administrative regulations should allow the flexibility necessary to administer programs in accordance with each State's ability and willingness to implement programs within the intent and spirit of enabling Federal laws.

(1) Has any single agency in your state been successful in packaging two or more federal grants to achieve a specific state objective under existing federal legislative authority? If so, list the federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Better transportation systems in localities	Highway planning and research program (Federal Highway Act of 1962). Sec. 701 of Housing Act	Department of Transportation. Department of Housing and Urban Development	Department of public works and buildings (division of highways). Department of business and economic development (division of local and regional planning).
Improved sewer and water systems in localities	Area water and sewer systems planning grant program (sec. 306a of Farmers Home Administration Act of 1961); sec. 701 of Housing Act.	Department of Agriculture. Department of Housing and Urban Development	Department of business and economic development. Division of local and regional planning; State Farmers Home Administration Office.
Improved health services in localities		Office of Economic Opportunity; Department of Health, Education, and Welfare (Public Health Service).	Department of public health; City of Chicago Health Department.
Improved health services for migrant workers. Developing comprehensive health services in localities.	Migrant health services; services for children. Comprehensive health services	Public Health Service and Children's Bureau. Office of Economic Opportunity; Department of Health, Education, and Welfare (Children's Bureau).	Department of public health. Department of public health; Chicago Board of Health.

(2) Please cite examples where a state agency has been unsuccessful in its attempt to package federal grants.

State objective	Title of grant programs	Federal agencies	State agencies
More job-producing activities	Title III, Public Works and Economic Development Act.	Department of Commerce	Department of business and economic development.
	Sec. 701 of Housing Act	Department of Housing and Urban Development	

(3) Do you have pending one or more proposals for Federal funding that involves an attempt to package Federal grants?

State objective	Title of grant programs	Federal agencies	State agencies
Better trained community development personnel.	Title I of Higher Education Act	Department of Health, Education, and Welfare	Commission on [illegible] and continuing education [illegible] of higher education.
	Title VIII of Housing Act	Department of Housing and Urban Development	Commission on both title I and title VIII programs.

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more federal grants to achieve a specific state objective under existing federal legislative authority? If so, list the federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Recreation planning	701 and Bureau of Outdoor Recreation	HUD and BOR	Department of economic development; health; water resources; highway; park and resources authority; forestry, fish, and game commission; historical society.
P–55 health planning	701 and health planning	HUD and HEW	Department of economic development and legislative council.
Rural water and sewer planning (cities under 2,500 population).	701 and water and sewer planning	HUD and Farmers Home Administration	Department of economic development (acts as coordinator between cities and consultants).
Transportation studies in metropolitan areas	701 (city gets grant for study, highway receives reimbursement for its costs from Bureau of Public Roads highway planning and research funds).	HUD and Bureau of Public Roads	Highway commission.

(2) Please cite examples where a state agency has been unsuccessful in its attempt to package federal grants.

Transportation Studies in Metropolitan Areas.—Since these projects involve origination and destination studies, land use studies, and socio-economic studies, there is often a lag of time between completion of each phase; Highway officials have found that in some cases their part of the over-all project is badly out-dated by the time the city receives its HUD 701 money and gets the city portion under way and completed. Biggest problem is fitting time-wise the studies and funding together while study data is current.

General Comments

Our review of federal grant programs administered through state agencies reveals that examples of packaging accomplished or attempted have been limited to planning and survey activities of the Kansas Department of Economic Development (State planning agency) and the State Highway Commission.

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more Federal grants to achieve a specific State objective under existing Federal legislative authority? If so, list the Federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Vocational training of handicapped [1]	Manpower Development and Training Act Vocational Rehabilitation.	Office of Education—Social and Rehabilitation Administration.	Education—Maine Employment Security Commission.
Professional training of Department of Education personnel.[2]	Title III, NDEA	Office of Education	Education.
	Title V(a), NDEA	do	Do.
	Title V, ESEA	do	Do.
	Title II, ESEA	do	Do.
	Title I, ESEA	do	Do.
Improvement of early reading programs	Title IV, ESEA	U.S. Office of Education	Do.
	Title V, ESEA	do	Do.
	Title III, NDEA	do	Do.
Hospital construction	Public Law 88-443	Hill-Burton—Public Service; Mental Health Center Construction, National Institute of Mental Health.	Health and welfare mental health and corrections.
Do	Public Law 88-164		
Retardation, construction	Public Law 88-164	Social and rehabilitation services	Mental health and corrections.

[1] Counselor service on personal adjustment and work orientation of multihandicapped (basically mentally retarded persons).
[2] Combined in payment of salaries, tuition, fees, books of members of professional staff on securing graduate level training.

(2) Please cite examples where a State agency (or combination of State agencies) has been unsuccessful in their attempt to package Federal grants, or discouraged from such attempts by presumed lack of Federal authority? Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Vocational training of unemployed and underemployed.	Vocational Rehabilitation Manpower Development and Training Act; Vocational Education-Neighborhood Youth Corps.	Social and Rehabilitation Administration; U.S. Employment Service; Office of Education; Department of Labor.	Education; Maine Employment Security Commission.

(3) Do you have pending one or more proposals for Federal funding that involves an attempt to package Federal grants? Please give the same details about programs and agencies as in questions (1) and (2).

State objective	Title of grant programs	Federal agencies	State agencies
Construction of college facilities	Title I, Higher Education Facilities Act	Office of Education; Department of Housing and Urban Development.	Education.[1]
	Title I, N.E. Regional Commission	Economic Development Administration	Do.

[1] Possibility of eligibility of Washington State College for E.D.A. aid. Definitely qualifies for H.E.F.A. funds.

General Comments

The progress toward program simplification has been haphazard, in part; I feel, because of the absence of a strong Federal commitment. In my judgment, additional steps towards simplifying the administration of Federal grants should be taken quickly. For instance, Maine's strategy for economic development stresses the need for identifying and strengthening transportation networks linking our Regional growth centers. To this end, joint funding of transportation programs by HUD and the Department of Transportation would be most helpful.

I would further suggest the good offices of the New England Regional Commission be used to pinpoint those precise areas of Regional development where the need for coordination in the administration of Federal programs has become apparent.

MICHIGAN

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more Federal grants to achieve a specific State objective under existing Federal legislative authority? If so, list the Federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Manpower development training	Manpower Development Training Act; title II-B, Economic Opportunity Act; title III, Elementary and Secondary Education Act.	Department of Labor, Bureau of Employment Security and Bureau of Apprenticeship Training; Department of HEW, Division of Vocational Education and office Education; Office of Economic Opportunity.	Department of education.

(2) Please cite examples where a State agency (or combination of State agencies) has been unsuccessful in their attempt to package federal grants, or discouraged from such attempts by presumed lack of federal authority. Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Recreation—Parks—Land acquisition	Land and water conservation fund and crop and adjustment program.	Department of Interior, BOR; USDA	Michigan Department of Conservation.

The Bureau of Outdoor Recreation has decreed that they must provide 50% acquisition costs (or none) precluding the effective use of other federal programs in land acquisition (namely Pittman-Robertson, Dingell-Johnson, P.L. 566, Green Span, etc.).

(3) Do you have pending one or more proposals for federal funding that involves an attempt to package federal grants? Please give the same details about programs and agencies as in questions (1) and (2).

State objective	Title of grant programs	Federal agencies	State agencies
Community development	Titles VIII and IX	HUD	Office of Planning Coordination.
Airport development	Federal aid airport program, Public Works and Economic Development Act of 1965, titles III and title V.	Federal Aviation Agency, Economic Development Administration, Upper Great Lakes Regional Commission.	Department of commerce.

General Comments

The various packaging arrangements authorized by this proposed Act (including the waiving of the single state agency requirement under certain circumstances) would allow the states to use federal assistance more creatively. However, some of the administrative improvements proposed in this bill should not be contingent on joint funding. There is a great need for more uniform technical and administrative requirements among related Federal grant-in-aid programs regardless of whether there will be joint funding under these programs.

There is also a need for greater flexibility in the statutory and administrative requirements for federal aid programs. Both Congress and the federal aid agencies have a tendency to use "boiler plate" language geared for those states with the least administrative capabilities. This policy places unnecessary and unreasonable administrative burdens on the majority of states. Since this bill authorizes federal agencies to review their program requirements and authorizes the President to recommend changes in the statutory requirements to Congress in order to assist joint funding, perhaps the purpose of the bill could be broadened to include a general review of federal aid requirements.

General Comments

NEW HAMPSHIRE

The New Hampshire situation does not conform to the several questions raised in your April 2 letter. Our state has a detail line item appropriation system which does not allow transfer of funds between agencies; and further prohibits transfers from appropriations for permanent personnel services, out-of-state travel, or equipment.

Due to these limitations the packaging of federal grants must occur prior to budget consideration and approval by the Executive and Legislative. This means that such federal allocations must be known by the agencies in firm dollar detail prior to October first in the year preceding the biennial legislative session.

These limitations and conditions do not detract from my interest in early action on the Governors' Conference proposal. Instead, it emphasizes the need for such early action well in advance of October 1, 1968. If the present federal fund allocation is not changed, the New Hampshire budgets passed by the 1969 Legislature will prohibit a packaging of funds until fiscal 1972.

OHIO

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more Federal grants to achieve a specific State objective under existing Federal legislative authority? If so, list the Federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Program for school disoriented youth in Cincinnati.	Vocational Rehabilitation Act 29 U.S.C. 4 (sec. 31 et seq.) and vocational education funds under the Vocational Education Act of 1963.	U.S. Office of Education and the Rehabilitation Service Administration.	The Bureau of vocational rehabilitation and the division of vocational education.
A residential center at Mahoning Valley	Manpower Development and Training Act of 1963 and Vocational Rehabilitation Act.	U.S. Department of Labor, U.S. Office of Education, and the Rehabilitation Service Administration.	Ohio Bureau of Employment Services; bureau of vocational rehabilitation and division of vocational education.
Mental health for Dover area	Hill-Burton and Appalachian	HEW and Commerce	Department of mental health and correction.
Five county region mental health, Zanesville	County-Community Mental Health Center	HEW, Public Law 88–164, for construction; HEW, Public Law 89–105, operation for 51 months.	Office of correction and department of mental hygiene.
Job training	Supportive services to on-the-job training program	OEO and Department of Labor	Ohio Office of Opportunity—TA.
Neighborhood Youth Corps	Supportive service to Neighborhood Youth Corps	do	Do.
Special impact	Aims—Jobs, Cleveland, Ohio	Department of Labor and OEO	Do.
Day care	Day care of urban, rural, and migrant	OEO and HEW	Ohio Department of Welfare, Education, and Health. Ohio Office of Opportunity—TA.

(2) Please cite examples where a State agency (or combination of State agencies) has been unsuccessful in their attempts to package federal grants, or discouraged from such attempts by presumed lack of federal authority. Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Combination of remedial education with job training of unemployed.	Manpower Development and Training Act of 1963, and title III (adult education phase of the OEO).	Health, Education, Welfare, and Labor, and Office of Economic Opportunity.	Division of vocational education and division of Federal assistance programs.
Training of unemployed youth with referrals from other agencies.	Neighborhood Youth Corps (under the OEO)------	Office of Economic Opportunity; Health, Education and Welfare, Department of Labor.	Ohio Bureau of Employment Services and division of vocational education State of education.
Training of delinquent youth in cooperation with the youth commission.	Manpower Development and Training Act (experimental and demonstration funds), and the Vocational Education Act of 1963.	Department of Labor and U.S. Office of Education.	Ohio Youth Commission and the division of vocational education and Ohio Bureau of Employment Services.
Training of unemployed within Akron, Ohio, under a cooperative relationship between the city board of education and industry and business.	National Alliance for Businessmen and the Manpower Development and Training Act.	Departments of Commerce and Labor----------	(Consultant services: Division of vocation education) Akron City Public Schools Administration.
Cleveland Training Center for School Disoriented Youth.	National Alliance for Businessmen and Vocational Education Act of 1963 and Office of Economic Opportunity.	Office of Economic Opportunity, National Alliance for Businessmen, and U.S. Office of Education.	Division of vocational education and Cleveland City Board of Education.

(3) Do you have pending one or more proposals for Federal funding that involves an attempt to package Federal grants? Please give the same details about programs and agencies as in questions (1) and (2).

State objective	Title of grant programs	Federal agencies	State agencies
Pilot neighborhood center for Cincinnati-------	Model city----------	Office of Economic Opportunity, HUD, and HEW-----	Ohio Office of Opportunity and Ohio Department of Development (TA).

SOUTH DAKOTA

General Comments

In regard to your first question we would like to inform you that the only federal grants that were combined for a single purpose to our knowledge have been Farmers Home Administration, Water Sewer Planning Grants, along with Housing and Urban Development "701" Planning for some of our Counties. These grants were not actually combined grants but one grant did recognize the product produced by the other grant and a considerable amount of duplication was eliminated in both grant programs.

As regard examples where the State Agency has been unsuccessful we wish to advise that we have not attempted to combine federal grants due to the fact that most of the guidelines for various programs do not lend themselves to the combining of federal grants which would be extremely important if the guidelines were such that they would allow packaging of these grants.

We would certainly urge adoption of legislation which would package these grant programs. In one of the areas in particular that we are interested in would be planning on both the local and all the state departmental levels using a single agency in state government to coordinate the various activities of various departments of State Government. We in South Dakota are attempting to do this through the State Planning Agency at the present time; however, most departments obtain their grants directly from federal departments and bypass the single state agency which eliminates the possibility of packaging more than one Planning Grant in an application.

RHODE ISLAND

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more Federal grants to achieve a specific State objective under existing Federal legislative authority? If so, list the Federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Initiation of State planning, preparation of comprehensive plan.	Highway planning and research, urban planning assistance, community shelter planning program, and regional action planning commissions.	BPR, HUD, OCD–DOD, and New England Regional Commission.	Department of Public Works, Rhode Island Development Council.
State data bank	Urban planning assistance and highway planning and research.	HUD and BPR	Do.
Base mapping	Metropolitan mapping, community shelter planning, highway planning and research, and urban planning assistance.	Bureau of the Census, OCD–DOD, BPR, and HUD	Rhode Island Development Council, Department of Public Works, statewide planning program.
Construction of Interstate 95 in Providence	Urban renewal and interstate and defense highway	HUD and BPR	Department of Public Works, Providence Redevelopment Agency.
Construction of Memorial Boulevard extension in Newport.	Urban renewal and primary highway system	do	Department of Public Works, Newport Redevelopment Agency.
Green acres	Open space, land and water conservation	HUD; Department of the Interior	Department of natural resources.
Statewide planning	Highway planning and research; urban planning assistance.	DOT; HUD	Statewide planning program.
Public transit	Mass transit demonstration projects; mass transit grants and loans; urban planning assistance.	HUD	Statewide planning program; Rhode Island Public Transit Authority.
Recreation area in Bristol, R.I	Open space	HUD; Bureau of Outdoor Recreation	Department of natural resources.
Inservice training	Title I of the Higher Education Act of 1965	U.S. Office of Education	Local and metropolitan government; Bureau of Government Research of the University of Rhode Island.

(2) Please cite examples where a State agency (or combination of State agencies) has been unsuccessful in their attempt to package federal grants, or discouraged from such attempts by presumed lack of federal authority. Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Industrial development	Grants for public works facilities—highway construction.	EDA; DOT	Department of Public Works.
Water Pollution Control	Grants for public works facilities—grants for basic sewer facilities.	EDA; HUD	Do.
Water service to east bay area	Public works and development of facilities, Urban Planning Assistance.	EDA; HUD	Public Utilities Division Statewide planning program.
Acquisition of Big River Reservoir site	Land and water conservation, public works, and development facilities.	BOR; EDA	Department of Natural Resources. Statewide planning program.

(3) Do you have pending one or more proposals for Federal funding that involves an attempt to package Federal grants? Please give the same details about programs and agencies as in questions (1) and (2).

State objective	Title of grant programs	Federal agencies	State agencies
Comprehensive State planning for fiscal year 1968–69.	Highway planning and research, Urban Planning assistance community shelter planning, regional action planning commissions.	BPR; HUD; OCD–DOD. New England Regional Commission.	Department of Public Works. Rhode Island Development Council.
Extension of RI–37 and expansion of T. F. Green Airport.	Primary highway system. Airport development program.	BPR; FAA	Department of Public Works.
Strengthen local government	Training for community development. Urban information and technical assistance.	HUD	Rhode Island Development Council.
Develop an "umbrella" program to administer and supervise several Federal programs.	Title I, ESEA compensatory education, title II; ESEA school library resources; title III, ESEA supplementary educational centers; title V ESEA strengthening State education departments; title III, NDEA science, mathematics, modern french language; title V NDEA testing, guidance.	U.S. Office of Education	Rhode Island Department of Education.
Analysis of several areas of current and proposed programs.	Title VIII of the Housing Act of 1964; title IX of the Demonstration Cities and Metropolitan Development Act of 1966.	HUD	Local and metropolitan government; Community Assistance Division of Rhode Island Development Council.

(Department of Public Instruction)

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more federal grants to achieve a specific state objective under existing federal legislative authority? If so, list the federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Support RIMC's [1]	NDEA, title III, Appalachia [1]	USOE, Department of Commerce	DPI, Department of Commerce.

(2) Please cite examples where a state agency (or combination of state agencies) has been unsuccessful in their attempt to package federal grants, or discouraged from such attempts by presumed lack of federal authority.

Answer: We are presently attempting to package NDEA and ESEA programs. There appears to be legal problems since both represent categorical aid.

Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Beef up State leadership services and special programs for LEA's.[1]	NDEA and ESEA	USOE	DPI.

[1] LEA, local educational agency; NDEA, National Defense Education Act; ESEA, Elementary and Secondary Education Act; and RIMC, regional instructional material centers.

(3) Do you have pending one or more proposals for federal funding that involves an attempt to package federal grants? Please give the same details about programs and agencies as in questions (1) and (2).

Answer: Yes; we are planning to package State Administrative Funds for the Programs in Item 2.

State objective	Title of grant programs	Federal agencies	State agencies
Reduce redtape	NDEA	USOE	DPI.
Simplify the reporting and accounting	ESEA	USOE	DPI.

General Comments (Charles Lieberth)*

1. The operation of a project is frequently restricted by the rigid Federal program manual. Imaginative approaches and flexibility are essential to meet local requirements and application.

2. The State has a very limited role in priority determination of programs emphasizing social and economic approaches.

3. Certain Federal programs require citizen participation yet exclude State participation. The State's role is often only as a participant in supplying funds.

4. Federal program administrative organization needs to be adapted to State-local needs. The Act would aid in this adaption.

5. The State must have a major opportunity to exercise control over the future of individual and city environments. It must have an important role in the development of an urban-rural strategy.

6. The Act is a step toward the development of a State system viewpoint utilizing Federal funds and programs. A systematic technique for program application and audit would reduce the present constraints on unified and pin point action.

7. The Act is a legislative vehicle which will enhance the intent and spirit of Creative Federalism.

Recently I have had the opportunity to contribute to a packaging design for ESEA-Title V. Under this arrangement there would be a single State submittal, a single State financial reporting requirement and audit. This is a current development and it exemplifies the aim of the Joint Funding Simplification Act in one area of Federal programs. D. Allan Huff, Director of ESEA-Title V, Bureau of Elementary and Secondary Education, Office of Education, H.E.W., Washington, D.C., provided us the opportunity to contribute in its development.

WASHINGTON

Department of Public Assistance

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more Federal grants to achieve a specific State objective under existing Federal legislative authority?

Comments

We have never been successful in packaging two or more federal grants to achieve a specific state objective under such packaging arrangements as would be authorized by the Joint Funding Simplication Act.

(2) Please cite examples where a state agency (or combination of state agencies) has been unsuccessful in their attempt to package federal grants, or discouraged from such attempts by presumed lack of federal authority.

Comments

We have been discouraged from attempting to package federal grants in the past by presumed lack of federal authority, particularly in programs relating to the testing and training, including the provision of basic education and/or vocational training, for otherwise employable persons in order to make them partially or fully self-supporting.

*Charles J. Lieberth, Director, Federal Program Coordination.

To achieve state objectives, we have attempted at the State level to utilize programs that are under the jurisdiction at the federal level of the Department of Labor, the Office of Economic Opportunity and various division of the Social and Rehab Services, such as Vocational Rehabilitation, Children's Bureau, and other divisions of the Department of Health, Education and Welfare, such as Public Health, and Education. At the State level, the following agencies have been involved: The Department of Health, the Division of Vocational Rehabilitation of the Department of Education, the Vocational Education Division and Basic Education Division of the same department, as well as the State Office of Economic Opportunity and the Department of Public Assistance.

(3) Do you have pending one or more proposals for federal funding that involves an attempt to package federal grants?

Comments

We are currently experiencing a problem in taking advantage of federal provisions to earn federal grants-in-aid through Title XIX of the Social Security Act for persons over age 65 in mental institutions due to a rigid interpretation of the "single state agency rule."

Department of Health

(1) Has any single agency in your State (or combination of agencies) been successful in packaging two or more Federal grants to achieve a specific State objective under existing Federal legislative authority? If so, list the Federal grants that were combined as follows:

State objective	Title of grant programs	Federal agencies	State agencies
Planning, constructing, licensing, and certifying health facilities.	"Public Health Services," sec. 314(d), Public Law 89-749.	Bureau of Health Services, Public Health Service, HEW.	State health department.
	Hospital Administration, title VI, Public Health Service Act (sec. 606).	Hospital and medical facilities program, PHS, HEW.	State insurance commission.
	Medicare, title XVIII of Social Security Act (sec. 1864).	Social Security Administration, HEW	State Department of Labor and Industries.
Health services to Indians	Sec. 302 (C-10) Federal Property and Administrative Service Act.	Division of Indian Affairs, PHS, HEW	State health department.
	Maternal and Child Health, title V of Social Security Act.	Children's Bureau, HEW	
Plan, organize, coordinate resources, and promote smoking and health program.	Public Health Services, sec. 314(d), Public Law 89-749.	Bureau of Health Services, PHS, HEW	Do.
	Public Health Services, sec. 314(e), Public Law 89-749		State department of public instruction.

(2) Please cite examples where a state agency (or combination of state agencies) has been unsuccessful in their attempt to package federal grants, or discouraged from such attempts by presumed lack of federal authority. Provide the same details about the programs and agencies as in question (1).

State objective	Title of grant programs	Federal agencies	State agencies
Highway safety	Highway safety program. Public Law 89-564	Department of Transportation	Washington Traffic Safety Commission.
	Public Health Services, sec. 314(e)	Public Health Service, HEW	State department of health.
Enhancement of health services in local areas	Public Health Services, sec. 314(d), Public Law 89-749.	do	Do.
	Maternal and child health, title V, Social Security Act.	Children's Bureau, HEW	Division of vocational rehabilitation.
	Medicare, title XVIII and XIX, Social Security Act.	Social Security Administration, HEW	State department of public assistance.

WASHINGTON URBAN LEAGUE, NEIGHBORHOOD DEVELOPMENT CENTER AND PROGRAM—PIERCE STREET: AN URBAN RENEWAL EXPERIENCE TWO YEARS LATER

SUMMARY OF ACTION TAKEN TO IMPLEMENT RECOMMENDATIONS MADE AUGUST 17, 1966 TO THE COMMUNITY ON CHANGING RELOCATION PRACTICES

The Neighborhood Advisory Council of the Urban League Neighborhood Development Center published a report in August 1966 relating to the experiences of families relocated from Pierce Street in the Northwest One Urban Renewal area in Washington, D.C. The report was prefaced by a number of recommendations to the community and urged appropriate agencies and persons to make modifications in current relocation procedures and programs.

Much of the effort expended by the community organization program of the Neighborhood Center during the two years since the report was released has been devoted to the implementation of these recommendations. How well both the community and the urban renewal agency, the Redevelopment Land Agency, have succeeded in making modifications is summarized in the following statements.

RELOCATION STAFF

Recommendation 1: Hire local residents to assist relocation staff and in inspecting relocation housing.

Progress: The U.S. Civil Service Commission responded to the Local Agency request and established a new category of civil servants, urban renewal aides, in the Spring 1967. Twelve positions at GS–3 and GS–4 were allocated, and are being filled by neighborhood residents.

Recommendation 2: Make staff available evenings and weekends.

Progress: The office staff was scheduled to work half-days Saturdays for approximately a year.

Recommendation 3: Increase effective use of social services to meet family and employment problems.

[1] Progress: Interpretation of regulations relating to eligible project costs denies Local Agency permission to provide direct services relating to relocation.

Unsuccessful attempts have been made by Local Agency and community groups to get District government agencies to provide new neighborhood services for Northwest One residents. Moreover, there has been a gradual curtailment of services provided by the anti-poverty program. Since 1966, the neighborhood employment service, located in the area, has been shut down. The neighborhood legal service office was merged with one in another part of town; and the housing office which conducted a code enforcement program has been closed. Of the remaining anti-poverty programs, only three provide direct services to residents—one day care center, a credit union, and a family counseling unit, all of which serve an area-wide population of 30,000.

Residents have been demanding new social services during the entire period of family relocation. They have made appeals, presented testimony, appeared at budget hearings, and issued reports to the Board of Commissioners and the City Council, the Urban Renewal Operations Committee, the Community Renewal Program, the Board of Recreation, the Department of Sanitation, the Department of Licenses and Inspections, the Board of Education, the Police Department, the Department of Public Health, and USES-DC. Additionally, an inquiry has been made of the National Capital Housing Authority to discover whether the agency can provide any social services to residents who hold priority rights to return to new public housing in Northwest One. The Agency regulations apparently bar such "advance" social services.[1]

Recommendation 4: Simplify and provide more assistance in obtaining documents needed for public housing.

Progress: No significant changes have been provided.

"Illegal tenancy" [1] was another problem relating to documentation which was discovered in the Fall 1967 when the site was being evacuated for the construction of the first moderate income housing. Several families who claimed they had lived in the project area for several years but who were not included among the Agency's list of surveyed families and individuals were reported to be denied relocation benefits. They were termed "illegal tenants" because they were presumed to be living in acquired properties without authorization.

[1] Congressional review recommended.

Additional evidence of incompleteness of original survey information was revealed in late 1967 as prospective lists of tenants were being contacted to apply for housing. Almost a dozen families who were able to present evidence of their prior tenancy were denied first right of refusal because the Agency had no record of them.

ON SITE RELOCATION

Recommendation 1: Absorb percentage of rents, maintenance costs, and guard and police service in projects costs.

Progress: A full review of rentals in Northwest One resulted in immediate reductions in some rents; and reduction in rentals at dwellings with excessive fuel bills due to heat loss (121 of 296 rentals were reported to have been reduced).

The local agency has adopted a new HUD guideline, effective in May 1968, which would reduce rentals to welfare recipients to the level of their shelter allowance and to other renters not to exceed 25 percent of family income.

Recommendation 2: Increase efficiency and size of maintenance staff.

Progress: A concentrated maintenance program, begun in September 1966, and originally termed "maintenance month" stretched over a year. After eight months, all properties had been inspected; it was revealed by the Agency that 195 structures of 220 required major work (heating, plumbing, electrical or roofing). Between November 1966 and May 1967, the Agency reported it had doubled its volume of completed work orders over the previous six months.

Emergency telephone numbers of the property management staff were circulated throughout the community. The maintenance staff was increased from twelve to over thirty, including some area residents.

Recommendation 3: Hire neighborhood residents for patrol duty to reduce breakdowns in service due to vandalism.

Progress: Private guards were hired in February 1968 on a twenty-four hour basis to protect government properties.

Recommendation 4: Prepare a staging plan.

Progress: A staging plan providing a construction timetable was prepared and presented for community consideration in September 1966. One purpose of the plan was to provide tangible evidence to residents that they did not have to move out of the area in advance of construction timetables. In May 1967, the Agency's policy on demolitions was sharply challenged by the community, resulting in a new agreement, with steps outlined to guard against panic moves by residents and to maintain and improve the quality of the life of the community during redevelopment. A second purpose of the staging plan was to help residents identify with and participate in planning for new low and moderate income housing to which they would hold first priority to return.

The staging plan was not adopted as binding but as a plan subject to revisions which would better serve needs of residents. The following modifications in the staging plan have been supported, but not yet achieved, by the community:

(*a*) A new elementary school building (estimates of classroom shortages run to 1,000 seats).

(*b*) One of the housing complexes to include an early childhood center (preschool through first or second grades).

(*c*) The shopping center to include at least one community-owned business.

(*d*) Switch a public housing and moderate income housing site to allow a construction speed-up.

(*e*) Provision of some new and rehabilitated units as sales housing (13 units scheduled to be ready July 1968).

(*f*) Extension of boundaries of the renewal project to include the approved section of the Center Leg Freeway so as to provide air-rights housing over the freeway and additional housing beside the right of way.

(*g*) Speed-up the beginning date of a community facilities building.

(*h*) Creative development of open spaces for recreation use.

(*i*) A public swimming pool.

Recommendation 4a: Reserve a pool of standard rehabilitated housing to be demolished in the final stage.

Progress:[2] A pool of standard rehabilitated housing was not provided. Present legislation tends to bar urban renewal agencies from improving housing designated for demolition.

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[2] Congressional review recommended

The community was successful, however, in getting the Department of Highways and Traffic to invest in the 1967 rehabilitation of a thirty-four unit building which was scheduled to be demolished in 1970 to accommodate the Center Leg Freeway. (This area is scheduled to become a part of Northwest One.)

Recommendation 4b: Offer families on-site relocation without jeopardizing their final relocation benefits.

Progress: Approximately 100 families have been relocated on-site since September 1966, without jeopardizing their final benefits. Several have been moved more than once, either because their present homes were beyond repair or because they were in an area scheduled for demolition in advance of construction.

Relocation Benefits

Recommendation 1: Relocation benefits should be increased and each new household created by relocation should receive moving expenses.

Progress: Agency asserts it is "making payments to the full extent authorized by existing legislation and regulations issued by HUD," and that it supports expanded and increased relocation benefits.

Private Housing

Recommendation 1: Inspect all private relocation housing before occupancy.

Progress: Improvement in inspection procedures have been made, but generally are not satisfactory. The License and Inspection Housing Division often does not respond promptly to inspection requests, and delays in inspecting properties sometimes result in rental of units to another prospective renter. The Agency conducts pre-inspection by its own staff to make judgments about condition of properties. (Some landlords do not list with the Agency nor will some rent to relocatees because they do not want their properties inspected.)

Recommendation 2: Verify rents and pay rent supplements to maintain gross rents at a maximum of 25 percent of income.

Progress: The number of on-site locations is believed to have reduced substantially the number of Northwest One families who would pay excessive rents in private housing. No new studies are available which invalidate the Pierce Street figures that 50 percent of families relocated pay more than 25 percent of income in rent; that 40 percent of families relocated pay over 30 percent; and that 20 percent of families relocated pay over 50 percent in private housing.

The sponsor of the first moderate income housing in Northwest One has completed arrangements to use the rent supplement program in almost-one-fourth of his units. Another fourth will be leased to the public housing authority. The significance of this is revealed by the following story: The first former Northwest One residents to return in April 1968, to newly completed public housing in Northwest One had been relocated in 1966 to a moderate income development in Southeast Washington. The family income had decreased and they were unable to sustain themselves in 221(d)(3) housing, without a rent supplement. None was available. The shortage of rent supplement money makes it doubtful that other non-profit sponsors will be able to obtain the national rent supplement monies. The community has strongly supported rent supplement legislation for the District of Columbia.

Recommendation 3: The Relocation Adjustment Payments, though inadequate, were not paid to Pierce Street relocatees by August 1966. (The last family had moved in June 1966.)

Progress: Notices and claim forms were sent to Pierce Street families and all Northwest One residents on August 4, 1966. Few understood the intent or the actual administration of the payments; and the greatest benefactors of the payments appeared to be the landlords. There is a recognition that legislation is needed for the District of Columbia. One formula is as follows: the payment should be in an amount, which when added to 20 percent of the annual income of the displaced family or individual at the time of displacement equals an amount that will not exceed the rental, including utilities, required for a twelve-month period for such a decent, safe and sanitary dwelling of modest standards, aequate in size to accommodate the displaced individual or family in an area not generally less desirable in regard to public utilities and public and commercial facilities.

Recommendation 4: Acquire and rehabilitate large housing units to supplement the supply in both public and private markets.

Progress: Among first families on-sited in Northwest One were those seeking large units. The need for large units continues, although a number of new large units are coming into completion. The Public Housing Authority, has for two years (since August 26, 1966) been able to acquire and rehabilitate large units.

The staging plan has been revised to include seven houses scheduled for demolition but which are now being rehabilitated for sale to large bedroom, low income families (under 221(h)).

Public Housing

Recommendation 1: Assign a staff person from NCHA to the Relocation Office to help process applications.

Progress: A staff person was assigned September 1966.

Recommendation 2: Provide weekly and monthly status reports.

Progress: RLA receives monthly reports. Counselors were instructed to advise applicants about the status of their applications. Eligibility records are reviewed every three months. Many applicants still are unclear about what they should do to qualify for housing.

Recommendation 3a: Explain eligibilty documents to all applicants, both in advance of filing and during document-gathering period.

Progress: Many residents still are unclear about the importance of certain documents they are required to obtain, and do not understand the relationship of the documents to their eligibility for housing.

Recommendation 3b: Help families overcome eligibility requirements which bar their acceptance.

Progress: Living arrangements appear to be a continuing major cause of ineligibility for families trying to get into public housing. This includes nonmarriages, as well as inclusion in the family unit of persons not related by blood marriage. National Capital Housing Authority will accept common law marriage, but refuses to extend eligibility to families whose heads are barred from a legal relationship (i.e., one partner separated from but legally married to another) although they have been living in a stable relationship for a long period of time.

Also, the interpretation of regulations bars elderly people of opposite sex who are living in a companionship or housekeeping arrangement. It is believed that a substantial number of old people are barred from housing for the elderly because of this ruling.

The inclusion in family units of persons not related by blood or marriage has served to disqualify some families. This may include children and elderly single persons as well as mentally or physically handicapped or incompetent persons.

Recommendation 4a: Average family incomes for at least a twelve-month period.

Progress: No changes in procedures for figuring family income are known to have been made.

One significant change in regulations has been made on recommendation of community groups. In order to close the "income gap" (the disparity between maximum allowable income in public housing and minimum income in 221 (d) (3) moderate income housing), the continuing occupancy maximum for relocatees has been increased in public housing.

Recommendation 4b: Help families raise incomes.

Progress: Helping families receive benefits to which they are entitled (welfare and social security) and supplementing incomes through part-time employment does not solve problem of individuals and families with incomes *too low* to qualify for public housing. Among persons to be relocated from the path of the Center Leg Freeway and from the older section are some whose lack of earnings will bar them from public housing. Northwest One now has a number of families and individuals living in acquired properties who for a variety of reasons are not eligible for nor are able to afford any type of decent housing.

Recommendation 5: NCHA should purchase more new and used houses, outside project areas.

Progress: The agency received authority to acquire and rehabilitate 240 units (August 26, 1966).

Recommendation 6a: Combine small public housing units to create large units.

Progress: NCHA does this where "it is appropriate to do so."

Recommendation 6b: Adjust ceiling costs to permit construction of large apartments.

Progress: According to NCHA, "An adjustment of statutory cost limits on a per room basis would require a change in the U.S. Housing Act. Housing Assistance Administration has been informed of NCHA's difficulty in building within administrative cost limits, especially for larger units. For several years we have urged that such limits be increased."

Recommendation 7: Give families sufficient advance notice of available units.

Progress: Families continue to complain of the short notice of available units, and security deposits and one month's advance rent. There seems to be an assumption that the prospective tenant should have money saved for the security deposit and advance rent. Although Housing Authority procedures allow families five days to notify the manager if they want a location, some are told they must decide during their first visit to a property office.

SHELBY COUNTY COMMISSIONERS,
Memphis, Tenn., May 30, 1967.

Senator HOWARD H. BAKER, Jr.,
Old Senate Office Building, Washington, D.C.

DEAR SENATOR: Thank you for forwarding to me copies of Senate Bills 698, 735 and 799.

The bills have been reviewed by Mr. Jerrold Moore, Director of Planning of the Memphis and Shelby County Planning Commission; Mr. William H. Williams, Shelby County Attorney; and myself. We have reached the following conclusions:

1. That Senate Bills 799 and 735 should be defeated.
2. Senate Bill 698 should be supported if the following modifications are incorporated:

A. Page 13, section 302, lines 2 through 10, be amended to read as follows: "The Secretary of any department or the administrative head of any agency of the Executive Branch of the Federal Government is authorized, upon written request from a State or political subdivision thereof to provide specialized or technical services to the department or agency by the unit of Government making the request".

B. Section 303 should be stricken in its entirety.

C. Section 401 could be interpreted to mean that rules and regulations are to be established which would be concerned with the *content* of local planning and programming efforts. We strenuously object to some "paper-shuffler" in a regional office or in Washington passing on the adequacy or competence of our work. If, on the other hand, this Section may mean a standardization of review criteria among the several grant-in-aid programs, we would favor it.

Section 401 "B" should be changed to establish a mandatory review by a voluntary advisory committee, consisting in part of officials representing National, Regional, State and Local viewpoints, appointed by the President or Directors of Administering Agencies, to establish rules and regulations pertaining to eligibility for grant-in-aid assistance. (As written, section 401 "B" does not make National, State and local review absolutely necessary.)

D. Section 602(b) should read as follows: "Each grant consolidation plan shall provide for only one consolidation of individual grant programs, and shall be subject to review by a voluntary advisory committee as established in Paragraph C of this letter."

E. There was a difference of opinion on Section 803(c)(2). Mr. Moore felt this was a responsibility of county government. Mr. Williams felt this should not be a responsibility of county governments. I felt this responsibility should be shared by the principals contributing to the program causing the displacement.

The need for a firmly developed program of grant-in-aid coordination and more local participation in establishing grantee guidelines is paramount to closer Local and Federal intergovernmental cooperation.

I am grateful to you for forwarding these bills for my comments, and would appreciate your bringing the above to the attention of the Senate Committee on Government Operations. If additionl correspondence with other Committee members would be helpful, please let me know.

Sincerely,

CLIFFORD L. TUCK,
Director, Shelby County Department of Coordination.

SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., September 30, 1967.

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: On May 11 you asked Secretary Gardner, Secretary Wirtz, Director Shriver and me to establish a Joint Administrative Task Force to speed the processing of state and local applications for components of multipurpose projects.

On behalf of my colleagues, I am pleased to submit this final report of the Task Force.

The goal you set in your memorandum was to reduce by at least 50 per cent the time it now takes to process applications at the Federal level.

The Task Force working with program officials completed a study of 42 programs in four broad areas of primary significance to multipurpose projects. These areas are Model Cities, Neighborhood Centers, Manpower and Water and Sewer. Eight Federal departments and agencies are involved in all or some of these projects.

In the area covered by the study, we have accomplished your objective by reaching decisions and initiating actions which will achieve a solid reduction of 50 per cent in total Federal processing time.

With continued diligence, we expect to improve that percentage.

We have developed measures to kindle a more immediate Federal response to the needs of the states and cities. These include the elimination of duplicative procedures, delegating more decision making authority to the field, and holding more consultations with local and state officials before applications are filed.

The overall processing time also depends heavily upon the actions of state and local governing bodies. However, the streamlining measures adopted by the Federal Government should also produce savings in time at the state and local level, enabling those officials to move ahead with plans and programs at a faster rate.

The time saved will permit low income families to move into housing at an earlier date, neighborhood centers will be established more quickly in communities that need them, and manpower training will be made available sooner—all without further impact on Federal budget commitments.

We regard this as a milestone in your efforts to make the machinery of the Federal Government function more smoothly and efficiently, and improve its services to the cities and states. We believe the report shows dramatic evidence of what can be accomplished through inter-departmental cooperation and a searching review of program administration.

Coupled with the earlier study of multipurpose neighborhood centers by the Bureau of the Budget and the Executive Officers Group, this report represents an important beginning. Ahead are the large tasks of completing implementation, examining additional programs, and developing bold and innovative methods to coordinate Federal activities still more effectively in conducting multipurpose projects.

We assure you that these all-important matters will continue to receive high priority and our close attention.

Respectfully yours,

ROBERT C. WEAVER.

SUMMARY OF JOINT ADMINISTRATIVE TASK FORCE REPORT

SCOPE OF STUDY

The Task Force focused on 42 programs in four multipurpose areas:
Model Cities (involving eight Departments and agencies).
Neighborhood Centers (involving two Departments and OEO).
Manpower (involving three Departments and OEO).
Water and Sewer (involving four Departments).

RESULTS

Decisions already implemented or in the planning stage of implementation will achieve the following estimated reductions in Federal processing time in each multpurpose area:

	Percent
Model cities	50
Neighborhood centers	50
Manpower	47
Water and sewer	57

Within these general percentages, time savings for individual compounds will vary markedly because of:

current differences in processing time

other factors such as legal constraints, complex engineering requirements for construction projects, and the extent of state involvement in the grant process.

All the necessary decisions have been made to implement the process of reluction in time, and in most programs implementing action has been initiated.

These improvements will enable the Federal Government to respond more quicky to the problems of the communities. At the same time they permit state and ocal officials to move ahead more rapidly with such programs as housing for low ncome families, the establishment of neighborhood centers and manpower training facilities.

State and local processing of applications for Federal assistance should be nade easier through many of these improved Federal procedures, thus saving ocal officials time not reflected in the tables of this report.

SCOPE OF STUDY

The Task Force focused on 42 programs in our multipurpose areas:

Model Cities (involving eight departments and agencies).

Neighborhood Centers (involving two departments and OEO).

Manpower (involving three departments and OEO).

Water and Sewer (involving four departments).

RESULTS

Agency officials have made all decisions necessary to implement recommendaions, and in most programs implementing actions have been initiated. When all mplementing actions have been completed they will achieve the following estiiated reductions in Federal processing time in each multipurpose area:

	Percent
Iodel cities	50
Ieighborhood centers	50
Ianpower	47
Vater and sewer	57

Within these general percentages, time savings for individual components will ary markedly because of:

current differences in processing time

other factors such as legal contraints, complex engineering requirements for construction projects, and the extent of state involvement in the grant process.

Projected time savings listed above will enable the Federal Government to espond more quickly to the problems of the communities. At the same time ney permit state and local officials to move ahead more rapidly with such proams as housing for low income families, the establishment of neighborhood enters and manpower training facilities.

State and local processing of applications for Federal assistance should be iade easier through many of these improved Federal procedures, thus saving ocal officials time not reflected in the tables of this report.

* * * * * * *

The job ahead requires further action by state and local officials to improve ieir handling of applications. During the study, several opportunities for im-

provement were identified and discussed with representatives of state and local groups. The Federal departments and agencies stand ready to assist in this effort.

Subsequent sections of the report contain analyses of the four multipurpose areas included in the study. Detailed working papers on each program also are available.

ATTACHMENTS

Attachment A gives selective examples showing the reduction in processing time.

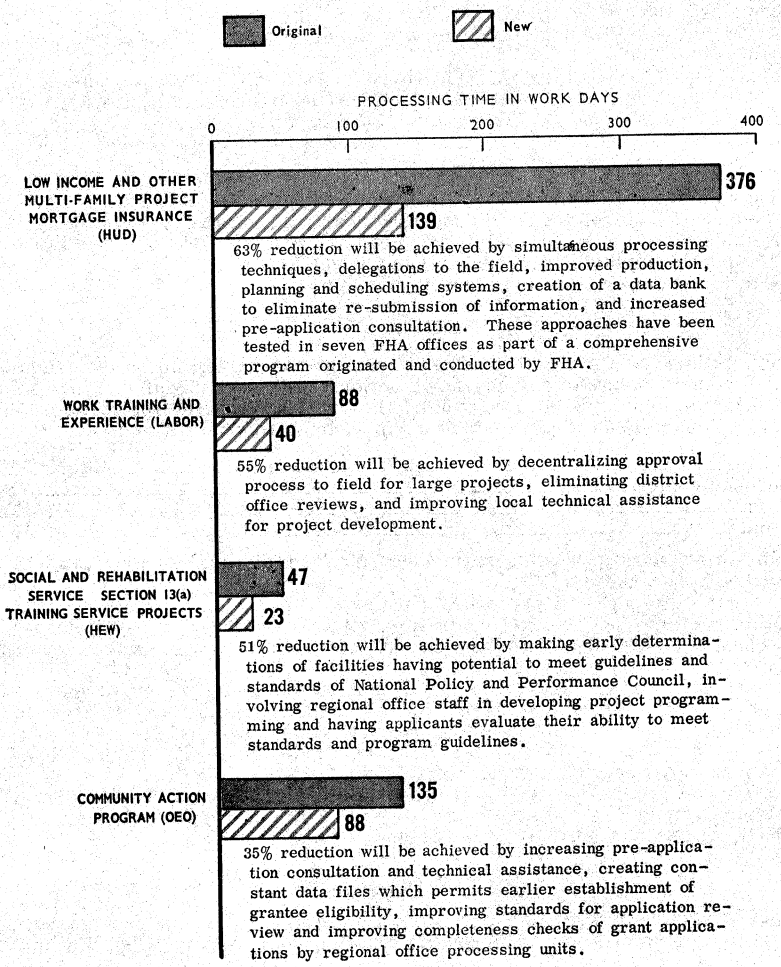
Attachment B lists Task Force staff members.

Attachment C itemizes the work covered by the Task Force in submitting its report in two major phases, including a progress report to the President on June 30.

4

ATTACHMENT A

PROJECTED PROCESSING TIME REDUCTIONS IN SELECTED PROGRAMS



ATTACHMENT B—PRESIDENT'S JOINT ADMINISTRATIVE TASK FORCE MEMBERS

Dwight A. Ink, Chairman, Assistant Secretary for Administration, Department of Housing and Urban Development.
Leo R. Werts, Assistant Secretary for Administration, Department of Labor.
Donald F. Simpson, Assistant Secretary for Administration, Department of Health, Education, and Welfare.
Robert C. Cassidy, Assistant Director for Management, Office of Economic Opportunity.

STAFF

Guy W. Chamberlin, Jr., Staff Director, Director, Office of Management and Organization, Department of Housing and Urban Development.
Joseph O. Smiroldo, Deputy Staff Director, Office of Management and Organization, Department of Housing and Urban Development.

MODEL CITIES TEAM

Howard E. Ball, HUD, Chairman.
Earl Canfield, HEW.
Joseph Daschbach, HUD.
Harold G. Fait, OEO.
John W. Forrest, HEW.
Roger K. Gibson, OEO.
Bernard Gross, Commerce.
Stephen J. Havens, HUD.
Logan B. Hendricks, SBA.
Michael T. Kastenec, HUD.
Mrs. Joyce Kelly, OEO.
Arthur Lieb, Labor.
Ernest M. Norsworthy, Jr., HUD.
Murray N. Price, OEO.
Lawrence Stevens, Interior.
Grant Tolley, Agriculture.

MANPOWER TEAM

Edward Salner, Labor, Chairman.
Richard Baldauf, Commerce.
William DeHarde, Labor.

MANPOWER TEAM

F. Randall Jones, HUD.
Charles McGinnis, Labor.
John Moller, OEO.
Thomas O'Brien, HEW.

WATER AND SEWER TEAM

Leo A. Morris, HUD, Chairman.
Mrs. Marian Close, Commerce.
Joseph S. Crane, HUD.
Thomas L. P. Ferry, Interior.
Gene Hoffman, Agriculture.
Dennis E. Walton, HUD.
Dale L. Jones, HUD.

NEIGHBORHOOD CENTERS TEAM

John Kane, HUD, Chairman.
William W. Baird, HUD.
James Brawley, HEW.
Arthur Lieb, Labor.
Murray Price, OEO.

ATTACHMENT C—MAJOR STEPS IN TASK FORCE STUDY

Action taken during Phase I of the report included:

Interviewing local, state, and Federal Regional Office personnel through visits to major cities.
Interviewing Federal Central Office personnel.
Collecting actual recorded data on current processing steps and times required to accomplish them.
Constructing process flow charts.
Developing recommendations to streamline Federal processing and estimating their potential impact on current processing times.

Study Phase II ends with this final report to the President. Major steps included:

Extending contacts with local, state, and Federal personnel including a special presentation to representatives of:

Council of State Governments.
International City Managers Association.
National Association of Counties.
National League of Cities.
U.S. Conference of Mayors.

Working closely with program personnel to:

Refine and test recommendations for validity and feasibility.
Seek additional opportunities for processing improvements.
Implement approved recommendations to the extent possible.
Develop action plans completing implementation.

Model Cities

BACKGROUND AND SUMMARY

The Model Cities demonstration represents the boldest and most innovative approach ever taken by the Federal Government to respond to the crisis of the cities. It draws upon a broad range of Federal programs which provide the maximum impact on a problem area of a city. Delays in individual programs could pyramid to an intolerable level unless methods are adopted to streamline and simplify the processing function. Therefore, elimination of time lags has particular significance for this ambitious program.

This problem has been placed under the microscope of a Model Cities System Improvement Team consisting of representatives from eight agencies:

Department of Health, Education, and Welfare.
Department of Housing and Urban Development.
Department of Labor.
Office of Economic Opportunity.
Department of Agriculture.
Department of Commerce.
Department of Interior.
Small Business Administration.

During Study Phase I ending June 30, the Team analyzed 22 Federal grant-in-aid programs relevant to Model Cities. It determined processing times, and made recommendations to cut delivery times in Federal review and approval precedures.

In the second phase the Team worked closely with program personnel in testing, refining, and implementing proposed recommendations, and in identifying additional improvement opportunities.

RESULTS

Table I (at the end of this section) shows processing time reductions to be achieved by implementing approved recommendations. The original average Federal processing time for programs examined was 155 days. This will be cut in half and reduced by an estimated 77 days, or an average reduction of 50 per cent.

Most time savings stem from four basic recommendations to:

Delegate more authority for final decisions or milestone actions to field officers.

Increase significantly the amount and nature of pre-application consultation and technical assistance.

Adopt concurrent processing techniques wherever possible.

Reduce to a minimum technical reviews performed at the national level.

In addition to these basic recommendations, more time can be saved by installing:

Standard processing times coupled with workable processing control and scheduling systems.

Simplified amendatory and revision procedures.

THE JOB AHEAD

Three major tasks lie ahead:

Completing implementation of decisions.

Reducing processing time in many programs not covered in the study but which are potential components of Model Cities packages.

Evaluating actual and projected results.

In addition, special studies should be conducted to consider:

A "one-shot" city eligibility profile or consolidated data book. Under present systems applicants are required to submit over and over again information that is not likely to change for years.

Consolidated applications.

Training programs to foster improved inter-governmental coordination in carrying out Model Cities activities.

TABLE I.—SUMMARY OF PROCESSING TIME REDUCTIONS, MODEL CITIES

Program	Original processing times (workdays)	New processing times (workdays)	Time savings	
			Workdays	Percent
Agriculture: Food stamps	15	15	0	0
Commerce: Economic development	149	90	59	40
OEO: Community Action program	135	88	47	35
Interior: Land and water conservation	71	30	41	58
Labor: Work training and experience (Neighborhood Youth Corps, New Careers program, Operation Mainstream, and Special Impact program)	88	40	48	55
SBA: Displaced business loans	56	30	26	46
HUD:				
Community renewal	126	70	56	44
Open space land	364	121	243	67
Urban parks and urban beautification	196	126	70	36
Demolition of unsafe structures	59	45	14	24
Code enforcement	124	91	33	27
Urban renewal	495	295	200	40
Low-rent public housing	163	78	85	52
115-312 Rehabilitation loans and grants	35	20	15	43
221(d)(3) housing	376	139	237	63
Rent supplements	398	179	219	55
HEW:				
Hill-Burton	11	5	6	55
Vocational rehabilitation expansion	38	19	19	50
Equal educational opportunity	247	70	177	72
Migrant health	150	75	75	50
Air pollution grants	85	40	45	53
Community health service	83	42	41	50
Total	3,464	1,708	1,756	50

NEIGHBORHOOD CENTERS

BACKGROUND AND SCOPE

In an address at Syracuse on August 19, 1966, the President called for a multipurpose neighborhood center in every ghetto in America. In response to this call, a Neighborhood Centers Pilot Program was initiated which will place in each of 14 selected cities a multipurpose center developed under component programs in HEW, HUD, Labor, and OEO.

To improve administrative procedures in both the Pilot Program and its components, an Interagency Study Group was established in March 1967 under the joint sponsorship of the Bureau of the Budget and the Executive Officers Group. Based on a five week study, this group identified several important areas for improving program processing. It also recommended major changes in organizational arrangements for managing the Pilot Program. In the Pilot Program and in component programs, many Interagency Study Group recommendations were installed or initiated. Additional improvements were introduced to help speed up processing and insure a smooth operation.

RESULTS

Pilot program

The Washington Interagency Review Committee (WIRC) is the policy group in charge of the Pilot Program. The management improvements it installed includes:

1. A "project management" type organization both in Washington and in the field. In Washington, a separate organizational unit, under the direction of the Chairman of the WIRC, is responsible for centralized operation of the program. In the field, each pilot city is handled by a Federal Regional Team consisting of one member each from HEW, HUD, Labor, and OEO. The team is chaired by the HUD member, who functions as field project manager. This type of organization structure was a principal recommendation of the Interagency Study Group. It has proven a major factor in promoting interagency cooperation and instilling a real "sense of urgency" in program operations.
2. Group conferences and face-to-face discussion among participants in the program, in lieu of lengthy review procedures, both in field and Washington operations.
3. An initial program submission, which served as the major document for specific Federal program applications to the participating agencies.
4. Simplified application forms and procedures, which will serve as the final submission for some program components. Developed by the Manpower Team working with the WIRC, this common application reduces to a minimum the information required for approval and funding 28 component programs.

Component programs

Decisions made in 11 component programs in HEW, HUD, and OEO will reduce processing time by an average of 50 per cent (Table II). Actions to achieve this reduction include:

Delegating additional authority to the field.
Eliminating technical reviews in Washington.
Reducing the number of mandatory reviews in the field.
Increasing pre-application consultation and technical assistance.
Installing a priority system of rating applications.

THE JOB AHEAD

The Pilot Program will focus primarily on ways to capitalize on experience gained and lessons learned. Especially important is the potential application to the ongoing Neighborhood Centers Program and to Model Cities of:

Project management techniques.
Group conferences.
Common application forms and procedures.

For component programs, the job ahead centers on completing implementation and evaluating results.

TABLE II.—SUMMARY OF PROCESSING TIME REDUCTIONS, NEIGHBORHOOD CENTERS

Program	Original processing times (workdays)	New processing times (workdays)	Time savings	
			Workdays	Percent
HUD: Neighborhood facilities	212	93	119	56
HEW:				
Comprehensive health projects 314(e) PHS	230	104	126	55
National Institutes of Mental Health (PHS)	200	100	100	50
Demonstration projects, sec. 1115	56	26	30	54
Maternal and infant care	83	42	41	50
Sec. 13(a) training service	47	23	24	51
Sec. 12 construction grants	48	24	24	50
Vocational rehabilitation and demonstrations	120	60	60	50
Comprehensive health service youth	27	14	13	50
Child welfare research demonstration	83	42	41	50
OEO: Community action program	135	88	47	35
Total	1,241	616	625	50

MANPOWER

BACKGROUND AND SCOPE

On May 26 the Joint Administrative Task Force established a Systems Improvement Team to study Federal Manpower programs. The Team was chaired by the Department of Labor, and included representatives of HEW, HUD, OEO, and Commerce. It initially selected a list of some thirty manpower programs covered by the Cooperative Area Manpower Planning System (CAMPS). Six were analyzed in detail. The remaining 24 were already being reviewed by the Model Cities or Neighborhood Centers Teams or involved no Federal application procedure or processing time.

RESULTS

When implemented, decisions made will reduce Federal processing time by an average of 47 per cent in five of the programs analyzed (Table III). The sixth program, Work Experience and Training for Welfare Clients, is shifting significantly because of statutory changes, and while the Team made tentative recommendations, new processing procedures for this program have not yet been established.

Decisions made for program improvement include:

Using the CAMPS Area Plan as a basic reference document in preparing and reviewing manpower program applications.

Increasing concurrent reviews at Regional level.

Delegating additional approval authority to Regional Offices.

Increasing assistance and guidance to applicants in the preparation of program plans and applications by Federal field personnel.

Involving agency representatives earlier in programs operated jointly by two or more agencies.

Installing internal administrative improvements such as:

Rescheduling during peak application periods.

Using the telephone, including conference calls, instead of time-consuming written communication.

Eliminating "back and forth" sequences in processing.

Expediting formal approval and notification for acceptable applications.

In addition to processing decisions, the Team recommended a coordinated approach to manpower programs. This proposal would expand the CAMPS system from a planning to an operational system, use the CAMPS Area Plan as a unified basis for Federal project development, and introduce simplified and uniform application forms and procedures.

THE JOB AHEAD

Next steps in the Manpower area involve:

Completing implementation of processing decisions and monitoring results.

Evaluating the proposal for a coordinated approach to manpower programs.

TABLE III.—SUMMARY OF PROCESSING TIME REDUCTIONS, MANPOWER [1] [2]

Program	Original processing times (workdays)	New processing times (workdays)	Time savings	
			Workdays	Percent
HEW:				
Vocational rehabilitation workshop project development	63	28	35	56
Vocational rehabilitation workshop improvement	42	20	22	52
Vocational rehabilitation innovation	46	23	23	50
OEO:				
Migrant and seasonal farmworkers	92	55	37	40
Labor-Commerce-HEW: MDTA 241—EDA training institutional and on the job	64	38	26	41
Total	307	164	143	47

[1] Other manpower programs shown in model cities table.

[2] Status of manpower programs not included:

MDTA—Labor (with HEW): No significant Federal processing time.

Work experience-welfare clients—Labor-HEW: Legislative change—new processing being developed.

Testing, counseling, guidance, job-placement, and development—Labor: Financed by annual appropriations through the Department of Labor.

National apprenticeship program—Labor: No application procedures required.

Water and Sewer

BACKGROUND AND SCOPE

Four Federal agencies make water and sewer grants and loans under the following jurisdictions:

Department of Housing and Urban Development (HUD) communities of all sizes in urban or urbanizing areas (except waste treatment).

Farmers Home Administration (FHA) of Department of Agriculture—Rurally oriented communities of under 5,500 people.

Economic Development Administration (EDA)—Department of Commerce—Specified economic development areas regardless of community size, where the project will have long-range economic impact.

Federal Water Pollution Control Administration (FWPCA), Department of Interior—First consideration of all waste treatment projects, although FHA and EDA may also fund such projects.

Several new laws in 1965 expanded the program to such an extent that an Interagency Coordinating Committee was set up to coordinate the efforts of these four agencies. In addition to processing improvements generated through this Committee, each agency has been active for a number of months in improving its individual program through such techniques as extensive on-site analysis of regional processing and visits to applicants.

RESULTS

Efforts by the four agencies working individually and in concert through the Interagency Coordinating Committee generated decisions which will reduce processing time by 57 per cent over the initial base period (Table IV). Significant actions to achieve this reduction include:

Developing a simple referral form for applicant inquiries. This permits filing an inquiry with any of the four agencies, with jurisdiction determined by the Government.

Combining this referral form with the basic application to eliminate or reduce repetitious information and requests for more data during the preliminary review and rating process. The new form also applies to several other programs of the four agencies.

Clarifying and expediting jurisdiction determinations between HUD and FHA; between HUD and EDA to cut down unnecessary referrals; and between FWPCA and the other three agencies to expedite processing of referrals for waste treatment plants.

Unifying auditing, bidding and similar practices between the four agencies, before exploring the feasibility of developing standard forms for the supplementary technical data required for full project reviews.

Revising internal processing procedures by:

Installing an attrition system to keep backlogs at workable levels and expediting information to inquirers on project disposition.

Eliminating technical review in Washington.

Streamlining press release procedures.

Combining fund reservation and project approval processes.

Developing a standard engineering contract form.

Providing design criteria and other guide documents to engineers.

Developing guidelines for field staff use in uniform assembly of loan and grant dockets.

Revising and simplifying processing instructions.

Releasing a standard construction contract.

Improving instructions to applicants for preparing project submissions.

Conducting training meetings for state office personnel.

THE JOB AHEAD

Most recommendations in the water and sewer area have been implemented. Hence, the job ahead will focus on:

Comparing actual and projected results.

Studying the execution phase of each department's program.

Improving the coordination activities of the Interagency Coordinating Committee.

TABLE IV.—SUMMARY OF PROCESSING TIME REDUCTIONS, WATER AND SEWER

Program	Original processing times (workdays)	New processing times (workdays)	Time savings	
			Workdays	Percent
Commerce: Specified economic development areas	245	115	130	53
Agriculture: Rurally oriented communities	245	118	127	52
Interior: Waste treatment projects	25	25	0	0
HUD: Communities in urban or urbanizing areas	232	66	166	72
Total	747	324	423	57

STATEMENT OF U.S. REPRESENTATIVE WILLIAM F. RYAN, FROM THE 20TH CONGRESSIONAL DISTRICT OF NEW YORK

Mr. Chairman, I am pleased to state my views before the Subcommittee on Intergovernmental Relations on S. 698.

This legislation is sorely needed, and I applaud your work in this long neglected area. I am specifically interested in title VIII, which establishes a uniform relocation policy. I have been concerned with inequities in the area of relocation for some years. As you well know, although some Federal programs do require relocation assistance, most either do not, or leave assistance to the discretion of the grantee or to the administrator.

I know that in New York City families displaced as a result of urban renewal acquisition are eligible for relocation assistance, but those dislocated as a result of direct Federal construction or institutional expansion by universities or hospitals facilitated through Federal grants or loans often receive no such benefits.

In past years, I have introduced legislation increasing urban renewal benefits, and other legislation requiring benefits to be paid by recipients of other specific grant-in-aid or loan programs. This year, I introduced H.R. 16953, the Relocation Assistance Act. It extends such requirements to all Federal grant-in-aid, direct loan, or acquisition construction.

As I understand the Chairman's bill, S. 698, my bill differs mainly in that my bill H.R. 16953 would establish a central relocation agency, to be located in the Department of Housing and Urban Development, whereas S. 698 requires each agency to take appropriate action.

My bill provides that no Federal agency shall approve an application for loan or grant assistance, nor undertake direct construction without first identifying persons to be relocated, informing them of their rights, and providing the Director of Relocation Assistance with information sufficient to permit the computation of relocation benefits.

H.R. 16953 charges the Director of Relocation Assistance to make payments of benefits, and to keep a current file on all federally assisted programs covered by the act and the need for relocation assistance. It also requires that he take action to insure that individuals and businessmen displaced as a result of federally aided programs be fully informed of their rights and given assistance in relocation. He is further required to coordinate his activities with other Federal agencies. Payments would be made through annual appropriations.

I am certainly in accord with the intent of S. 698, and I commend the Chairman. I would hope that the distinguished subcommittee would give due consideration to the approach which establishes a central Relocation Assistance Bureau rather than leaving this function in each administering agency.

There is a clear need for general coordination of relocation measures, including keeping statistics, providing information, and ensuring that agencies are complying with the policy.

I include a copy of my bill, H.R. 16953.

I am hopeful that uniform relocation legislation will meet with prompt and favorable action.

THE NEW ENGLAND COUNCIL,
Boston, Mass., June 20, 1968.

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

DEAR MR. CHAIRMAN: This statement is submitted on behalf of the New England Council to support S. 698, the proposed Intergovernmental Cooperation Act of 1968.

The New England Council was established in 1925 at the request of the six New England Governors. It is a broadly representative group, interested in the sound economic development of the region. As a consequence, it is particularly interested in proposed legislation which may strengthen and improve the economy of the New England region. Through its interstate relations program, the Council maintains close liaison with some 25 regional conference groups of New England state officials.

It has been three years since the Senate passed legislation similar in objective to S. 698. Unfortunately, this legislation was not enacted into law. Nevertheless, as a result of the attention focused on the subject of intergovernmental relations at that time, much useful work and further development of the subject has occurred. There is unquestionably an increased awareness of the need to identify ways to improve and strengthen Federal-State relations. We think that this point has been made with great force in the testimony presented on the pending legislation. By way of further emphasizing the need for the proposed bill, however, we would make the following background points.

We are presently in an era of fiscal federalism. The Federal government is responsible for administering at present over 220 grant-in-aid programs involving over 400 separate appropriation accounts. By comparison, in 1930 Federal grants amounted to approximately $0.1 billion to support ten programs with Federal aid for highways accounting for approximately 68 percent of the grants. Under existing programs which provide for a total Federal commitment of over $18 billion, the Federal government has imposed a variety of diverse requirements on State and local governments, including different matching requirements; different procedures to process grant applications; overlapping plans to qualify for Federal aid involving, among other things, the development of 80 State comprehensive plans, 701 comprehensive plans, community development district plans and overall economic development plans; administration of project grants by different kinds of Federal authorities and officials at different levels of the Federal government; varying percentages of Federal support for different programs administered by the same agency and varying percentages of Federal support for similar programs administered by different agencies; the need to relate to a number of special units of government and non-government corporations and other units especially created to deal with categorical grant programs; a multiplicity of advisory councils whose membership is not consistent, whose function in many respects is duplicatory and whose authority varies widely, and competing services such as the agricultural extension service and the urban extension service whose respective jurisdiction is not clear.

Out of this maze or thicket, as it has been characterized by the President, have emerged two significant things: the expert in-grantmanship and an unevenness of grant programs which is less widely known and understood. For example, one State in New England actually received less than its "share" of grants because of the inability to marshall the skills and effort to concentrate on grant proposals. Also, one eastern State has received 70 percent of the funds under the poverty program with only 30 percent of the population. At the same time, a study of the school lunch programs has revealed that the children who benefit are not necessarily those most in need in every instance. A consolidation and simplification of Federal grant programs, such as envisioned by the pending bill, should significantly improve the present situation.

Congress itself provided a precedent for the consolidation of grant-in-aid programs with the enactment of the Comprehensive Health Planning and Public Health Service Amendments of 1966 which make possible a "block grant" approach in certain health programs. A series of bills have been introduced in this Congress aiming at the same objective: the Federal Grant-In-Aid Review Act of 1967 by Senator Scott; the Temporary National Commission in Intergovernmental Fiscal Needs and Rescources proposed by Senator Kennedy in 1967; the Joint Funding Simplification Act of 1968 by Senator McClellan, as well as title VI of the proposed Intergovernmental Cooperation Act.

The Congress has already taken some decisive and significant action by enacting the Safe Streets and Crime Control Act providing for distribution of funds on a pro rata basis to the States. Further, the debate last session on the Mundt Amendment to the Intergovernmental Personnel Act (S. 699) revealed that there is more than just a passing interest in how to grant more fiscal independence to State and local governments. It is hoped that action will be taken soon on additional measures.

The problem grows as a demand for increased public expenditures at all levels of government continues to increase. Even though State and local revenues have increased rapidly (at the rate of 9 percent a year), expenditures have increased at an even higher rate (10 percent annually). Federal grants and borrowing have helped make up the difference. This trend has focused more and more attention on the need to find better ways to channel available public funds to meet specific needs more adequately. For example, the Regional Planning Association of New York recently recommended that the Federal government pay all costs of welfare, anti-poverty, public health and special educational programs which in its view were putting an undue drain on local resources. It pointed out that if these costs, amounting to approximately $5 billion, were shifted entirely to the Federal government, cities and States would be better able to provide other needed services. It also recommended in its study of projects and services provided in the New York metropolitan region (including Connecticut and New Jersey) that public funds spent on programs to alleviate poverty should be doubled from the estimated 1967 level of $11.5 billion. In short, the pressures continue to mount for more programs and more investment.

At the same time, it should be noted that there have been major efforts to inform appropriate public officials about existing programs in order to maximize their effective use. In order to inform key State and local officials about the operation of the multiplicity of Federal programs, the Office of the Vice President, and the Office of Emergency Planning have over the past couple of years undertaken to organize comprehensive briefing sessions for Governors, mayors, city managers and others. This concentrated approach has proved to be of great value. However successful communication has its real limitations. As more and more has been learned about the opportunities available under the variety of Federal programs presently in effect, responsible government officials at all levels have increasingly come to understand the inevitable difficulty of dealing with so many diverse and duplicatory programs.

Further it has become more and more apparent that the emphasis under various Federal programs on specific program planning (as opposed to comprehensive planning) often distorts priorities by causing State and local officials to shape plans around the availability of funding. The loss of momentum between the time a grant application is submitted and a project is funded and the uncertainty about the availability of funding are also serious deterrents to a consistent development of public programs. New techniques must be found which provide some assurance to State and local officials that the implementation of programs can proceed in an orderly way.

It is true that the improved communication at all levels of government about common plans has already had many desirable consequences in dealing with some of these problems. Federal officials now deeply involved with PPBS, candidly speak about the great deficiencies in the Federal delivery system and that the Federal government is one of the worst distributors of services. Hopefully, as the cost-effectiveness analysis technique is applied to more areas of Federal government spending, this should ultimately lead to discontinuing less efficient grant-in-aid programs. In turn, the use of the same techniques and improvements can be hoped for at the State and local level. These developments may go far to accomplish some of the objectives which are embodied in the pending bill.

In addition, much other Federal activity at the administrative level is presently being directed toward making the Federal government more efficient in the delivery of services and cash. The Joint Administrative Task Force of September 1967 interagency report to the President, entitled "Reducing Federal Grant-in-Aid Processing Time" has been put into effect. An interagency committee with representatives of the Department of Housing and Urban Development, the Economic Development Administration, the Farmer's Home Administration and the Federal Water Pollution Control Administration has been formed to handle the administration of the various water and sewer grant-in-aid programs. The Department of Housing and Urban Development has established a priority system for various grants-in-aid; an interagency committee is studying

the impact of federally supported assistance programs on the State administrative structure and ways of coordinating funding, coverage, and administration of aid programs; a Center for Community Planning has been established in the Department of Health, Education, and Welfare and the Bureau of the Budget series of Executive Orders A–80–85 provide for review procedures by State and local government before agency regulations are published in final form. An official of HUD reported to a group of municipal officials recently that the department has reduced the processing time of 17 grants-in-aid by 50 percent. Just recently, the New England Planning Administrators Conference learned from the regional HUD staff that an experimental approach to block grants has been developed with the State of Colorado 701 funding. This effort to give the State planning staff some direction and flexibility in their dealings with local planning officials is significant.

The bill would also help deal with the crisis in governmental organizations created by the city problem. The Advisory Commission on Intergovernmental Relations has issued a thoughtful and powerful warning that the crisis in American cities is creating a crisis in the American governmental structure. As cities in turmoil turn to the Federal government for aid, the Commission fears that under the strain of emergency conditions both cities and States will increasingly allow the Federal government to assume many responsibilities that local governments traditionally have carried, and if properly assisted, could continue to carry. Before the balance in the present Federal structure is upset, it is essential that steps be taken to ensure that all levels of government will be strong partners in providing public services.

The States have an important role in supporting local programs designed to meeting pressing needs. Yet there has been considerable pressure to bypass the States in meeting local needs. We understand that the Advisory Commission on Intergovernmental Relations will soon undertake a study of State aid programs. Such a study should serve a very useful purpose in clarifying the important role that State governments must play in supporting effective local programs.

In money terms, States have already dramatically increased the level of support. A recent study by the Tax Foundation shows that State aid programs in support of education, highways, welfare, general government, housing and a host of other functions has tripled from $6.5 billion to $16.8 billion at present, an amount almost equivalent to the total Federal aid available to State and local governments. In New England, each of the States has substantially increased its support of local government functions during the same period. Connecticut leads the way with a 248% increase, followed by New Hampshire, Rhode Island, Maine, Massachusetts and Vermont. Connecticut's commitment makes it the fifth highest on a national basis.

The National Governors Conference, in its study of Federal-State relations, has urged that: all further Federal-local assistance programs be drafted so as to include the participation of State governments; existing Federal grant-in-aid programs which bypass State governments, be amended to provide for State participation; and the Federal government shall allow those States which have the interest and develop the capacity, to coordinate federally aided programs at the State level within broad and basic national goals.

This extensive background comment is simply to make the point that action by Congress on the pending bill is highly desirable this year if we are to make further progress in dealing with some of the difficult problems outlined above.

In this connection, we would like to submit these specific comments on the titles of principal interest to the Council (titles II, IV, V, VI, and X):

Title II would provide needed assistance to government officials, particularly relating to the use of grant-in-aid funds and the timely transfer of funds to the States. Also important is the provision eliminating the "single state agency" concept to permit greater flexibility in the States' development of counterpart programs. However, the language of section 201 which places the responsibility of obtaining financial data upon the Governor and the Legislature should be revised to require mandatory reports to be submitted to the Governor and the Legislature by all Federal agencies administering grants-in-aid in the State. Further, these reports should cover all governmental and non-governmental jurisdictions. Such a report is now submitted on a quarterly basis by the Department of Housing and Urban Development to the Governors. This provision would go a long way toward clearing up the information gap which currently exists.

The provisions of title III providing for the reimbursement by State and local governments of technical services appear to contain adequate safeguards for the private consultant.

We would agree with the objectives of title IV and the intention expressed in sections 401 (b) and (c), to take into account all viewpoints at all levels of government and that all Federal aid for urban development be consistent with and further the objectives of State and local government comprehensive planning. These provisions appear to be the key to minimizing problems which result from bypassing of State government. However, the consultative mechanism required of Federal departments and agencies in section 401(d) should involve appropriate participation of State and local officials. Perhaps the process visualized in the Comprehensive Development Planning, Programming, and Coordination Act of 1967 offers a solution.

We also believe that it is important as provided by section 402, to require that Federal departments and agencies shall favor units of general local government. Unfortunately, this is not the case in the "Joint Funding Simplification Act of 1969". Grant-in-aid programs should, if anything, encourage the reduction in the number of units of local government. At the same time, efforts should be made to recognize interstate compact agencies, intrastate and regional agencies developed by units of general government.

Titles V and VI provide significant authority to review, evaluate and consolidate Federal grant-in-aid programs. The Congress in discharging its responsibilities should benefit from the experience of the Comptroller General and the recommendations of the Advisory Commission on Intergovernmental Relations. We believe further thought should be given to how the Congress can staff itself to effectively do this work. One suggestion which merits attention is to authorize each committee of Congress to retain a professional staff person to serve as a review specialist. It is to be hoped, however, that whatever approach is adopted, Congress will take a broad comprehensive view of programs and priorities.

The authorization in title VI of the procedure allowing the President to use the same prowers granted by the Reorganization Act of 1949 represents an advance toward the improvement of intergovernmental relations that can be best measured by enactment. This significant power not only places upon the Chief Executive the burden of putting into effect administrative improvement which inevitably would flow to him from his staff, but also places Congress on notice that it, too, must exercise its legislative powers effectively. The President has already demonstrated the workability of this method by the transfer of urban mass transportation grant programs from the Department of Housing and Urban Development to the Department of Transportation. We assume that this authority will be carefully directed to matters of internal organization of existing executive branch functions.

We believe that the new title X represents an important step forward by allowing Federal agencies, at long last, to accept the accounting and auditing methods of State and local governments. This provision should not only simplify auditing procedures, but there is merit in granting recognition to the competency of State and local accounting and auditing procedures.

In conclusion, we believe the pending bill should be enacted. It should be noted that the Interstate Relations Committee of The New England Council has established a special subcommittee to undertake an intensive study of Federal-State-local fiscal relations. This study will provide a means to acquaint The Council's membership with various aspects of this important problem and will be a means to provide a continuing review of many of the matters which are the subject of the pending legislation.

Very truly yours,

A. THOMAS EASLEY,
Executive Vice President.

STATEMENT OF THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS ON S. 698, INTERGOVERNMENTAL COOPERATION ACT OF 1967

(Submitted by Bill B. Cobb, budget director, Texas, and president of the National Association of State Budget Officers)

The National Association of State Budget Officers is an affiliate of the Council of State Governments comprised ex officio of the state budget officers of all fifty States and the commissioners of finance and administration in those States where this official is superior to the budget officer. The Association is much interested in many of the provisions contained in the Intergovernmental Cooperation Act of 1967, and I am pleased to testify in support of the principles of that act.

While all provisions of the proposed act would be beneficial to intergovernmental relations, I shall address myself to those provisions of most concern to budget officials.

The first is section 201, which requires federal agencies, upon request, to notify the Governor or a state official of federal grants to the State. This section is desirable because it attempts to solve a problem of great concern to Governors and legislators. Decisions on grants are often made between the federal agency and its state counterpart without clearance with the central decision-making bodies of the State. Without this information at an early stage, the chief executive and legislators cannot adequately plan state programs and financial support. The need for information on grants has been recognized in all States, and at least forty-six of them have established offices or positions of federal-state coordinator, most of them located directly in the Governor's Office. A formal federal requirement for the federal agency to cooperate with the States in providing the central administrative units with information on federal grants will strengthen state ability to develop sound program and financial plans.

Section 202 will assist States in good treasury management by allowing, in cases where this is not already done, the commingling of all funds for short-term investment purposes.

Section 203, requiring a minimum time lapse between transfer of funds from the U.S. Treasury and disbursement by the State, represents sound treasury management on the part of the U.S. Government. This section does not recognize, however, a problem that the States have with reimbursable grants, such as those for highway programs. Most States receive more money in reimbursable programs than they do in programs funded in advance. It should be possible to include a provision for immediate reimbursement based on normal state expenditure patterns subject, of course, to federal audit, to assure that States do not have to lay out money and wait a considerable length of time before reimbursement.

Section 204 provides for waiver of the single state agency requirement if the State presents evidence that such provision "prevents the establishment of the most effective and efficient organization arrangements within the State government * * *". This provision will make it easier for States to reorganize functions for improved management. For example, the New Mexico Department of Finance and Administration administers federal grants flowing through to public schools and the Illinois central personnel agency engages in personnel administration activities for health agencies. These arrangements were established by the two States to bring about administrative improvements, yet they may run counter to the federal single agency requirement.

The section could be made stronger from the state point of view if the burden were placed on the federal agency to find something improper about the state administrative arrangement rather than require the State to defend any deviation from the single agency requirement. Effective administration may be accomplished under many organizational forms, and the arrangements set up by the States should ordinarily not be challenged by federal agencies.

Title III, allowing federal agencies to provide special or technical services to state and local government on a reimbursable basis, should make easier the utilization of the expertise developed in the federal agencies in many programs in which States need help. We endorse this attempt to make more flexible the working out of personnel interchanges among units of government.

The vast expansion of federal grant programs, and their splintering into many categories—480 at a recent count—makes review and coordination devices particularly necessary. Titles V and VI are addressed to this.

Title V, requiring Congressional review of federal grants-in-aid, will formalize a procedure that Congress in the normal course of events might undertake anyway, namely, to review all programs periodically, measure them against their intent, determine to what degree they are meeting their intent, note the relationship among the various programs that have been established a different times and decide if alternate arrangements might better serve national goals and objectives. Coordination among programs might also be achieved.

For example, when four programs provide aid for water pollution control, some unifying legislative action might be helpful.

The National Association of State Budget Officers in 1963 adopted a resolution endorsing the periodic review of federal grant programs.

Title VI provides a means of consolidating grant-in-aid programs. Between presidential findings under this title and Congressional findings under Title V, considerable strides should be possible to assure that many related cate-

gorical grant programs are correlated through the use of simplified administrative procedures to achieve the basic goals set by Congress.

In this connection we also endorse the principles of S. 2981, the Joint Funding Simplification Act of 1967. This act, in conjunction with Titles V and VI of the Intergovernmental Cooperation Act, will provide a battery of means to eliminate some of the ill effects of too many diverse categorical grant programs.

Amendment number 748 to S. 698, providing for improved coordination of auditing, should be beneficial to both federal and state agencies. State agencies have frequently complained of long delays in federal audits. This amendment should make possible more timely audits, whether done by state or federal auditors, simply through reducing the number of audits any federal program auditor is required to perform. It should also, where necessary, encourage States to provide adequate and timely audits so that state agencies will not be so subject to later federal audits.

In summary, Mr. Chairman, we endorse the basic objectives of the Intergovernmental Cooperation Act and the Joint Funding Simplification Act and urge favorable and prompt Congressional action.

(The subcommittee submitted the following questions to Federal departments and agencies:

(1. A description of any changes in your agency's relocation assistance and compensation policies, procedures and benefits made subsequent to your report to the Select Subcommittee on Real Property Acquisition, as published in December 1964.

(2. A description of any changes in policy or procedure relating to the evaluation, appraisal, negotiation and acquisition of real property made subsequent to your report and answers to questions given to the aforesaid select subcommittee, as published.

(3. Are your negotiators allowed to make an offer for the acquisition of real property below the agency approved appraisal; and if so, under what circumstances or rules is such action permitted?

(4. Since January 1, 1965, state the following:

((*a*) Number of purchases in which the initial offer was less than the agency approved appraisal;

((*b*) Number of actual purchases made at less than the agency approved appraisal;

((*c*) Number of purchases made at the agency approved appraisal; and

((*d*) Number of purchases made above the agency approved appraisal.

(The responses received are as follows:)

DEPARTMENT OF THE ARMY,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D.C., June 24, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations,
U.S. Senate, Washington, D.C.

DEAR SENATOR MUSKIE: General Cassidy has asked me to reply to your recent communication requesting certain information to be used in developing a full record with respect to S. 698, the Intergovernmental Cooperation Act.

The information in the following paragraphs is furnished in response to the corresponding paragraphs in your letter:

(*a*) No changes have been made in our relocation assistance and compensation policies, procedures, or benefits, subsequent to the report to the Select Subcommittee on Real Property Acquisition, as published in December 1964.

(*b*) No changes in policy or procedure relating to the evaluation, appraisal, negotiation and acquisition of real property have been made subsequent to the report to the select subcommittee.

(*c*) In our acquisition procedures, the initial offer does not always represent the exact appraisal figure but it does represent a fair price for the property. All initial offers are within a reasonable range of the appraisal figure, taking

into consideration that an appraisal does not establish value and that other expert opinions of value will normally vary, either higher or lower. Initial offers may be made which are below the exact appraisal figure but they cannot be substantially below. They must be within the probable variations to be expected to result between opinions of different experienced appraisers.

The concept behind this policy is that market value is not necessarily determined by appraisals. Rather, market value is arrived at by negotiation between a willing buyer and a willing seller. A uniform practice of restricting offers to the exact amount of an appraisal would derogate from our stated policy of engaging in actual, practical, realistic negotiations, taking into consideration all of the flexible factors which would influence a willing seller. This policy is in accordance with the intent of Congress as expressed in Section 301 of the Land Acquisition Policy Act of 1960, Public Law 86–645.

A policy providing that an appraiser chosen by the Government shall fix a value below which the United States cannot purchase would, in effect, substitute his judgment for market value. Furthermore, if the appraiser's opinion is considered as a substitute for the establishment of the lowest fair price, it is logical to substitute his opinion as the maximum price. As a result, any true negotiations would be precluded.

As stated in the select subcommittee report, "The purpose of the appraisal is to estimate the fair market value of land under judicial concepts". This is defined in our procedures as "the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used". While the appraisal is not an exact science, the appraisers rely on certain assumptions and data of the real estate market to arrive at price and not a reasonable range of value. Our negotiations are conducted within this range, which is determined from the appraisal and the appraiser's analysis of the data contained therein.

(*d*) There is inclosed a tabulation showing the number of tracts of land acquired by the Corps of Engineers, during the period 1 January 1965 through 30 June 1967, and indicating the number and percentage of instances in which the property was purchased at less than the appraisal estimate, the number and percentage purchased at the appraisal, and the number and percentage purchased at an amount greater than the appraisal. This data includes all land acquisition by the Corps of Engineers, including that for Civil Works, Army and Air Force military, NASA and others.

No consolidated report is available indicating the number or percentage of tracts on which the initial offer was less than the appraised valuation. As pointed out above, negotiations consist of a series of offers and counteroffers designed to reach an agreement as to price which is just and reasonable to the landowner and fair to the Government. Therefore, it is reasonable to assume that in a substantial number of cases the initial offer was less than the Government's appraisal estimate.

I trust that this information is satisfactory for your purposes.

Sincerely,

MAX MCCORD,
Colonel, Corps of Engineers, and Director of Real Estate.

EXHIBIT A

	Tracts optioned at less than the appraisal	Percent	Tracts optioned at the appraisal	Percent	Tracts optioned at more than the appraisal	Percent
Jan. 1–June 30, 1965	790	11.0	2,874	39.0	3,621	50
Fiscal year 1966	1,060	10.0	3,037	29.0	6,290	61
Fiscal year 1967	831	10.0	2,236	26.0	5,390	64
Total	2,681	10.3	8,147	31.2	15,301	58

Note: Total tracts, 26,129.

U.S. DEPARTMENT OF TRANSPORTATION,
FEDERAL HIGHWAY ADMINISTRATION,
Washington, D.C., June 25, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations, Committee on Government Operations, U.S. Senate, Washington, D.C.

DEAR SENATOR MUSKIE: This is in response to your letter of June 13, 1968, requesting certain information for the record in connection with S. 698, the proposed Intergovernmental Cooperation Act. We understand from Mr. Turner, Subcommittee Counsel, that you wish to learn changes in our procedures since January 1, 1965. For convenience, we have restated the specific requests in your letter followed in each case by our responses:

"(1) A description of any changes in your agency's relocation assistance and compensation policies, procedures and benefits made subsequent to your report to the Select Subcommittee on Real Property Acquisition, as published in December, 1964."

There have been some changes. The more significant ones are the following:

(*a*) Notice must be given to a property owner as to availability of relocation assistance in 15 days after the start of negotiations on a parcel where such negotiations commence less than six months before possession is needed. Bureau of Public Roads Policy and Procedure Memorandum (PPM) 80–5, issued April 20, 1967. See also par. 9c, 21–4.4, May 24, 1966.

(*b*) In the case of a business move, climants may be paid on the basis of the lowest reliable estimate, and the cost of such estimates are eligible cost items. Par. 3m(1), Bureau of Public Roads Policy and Procedure Memorandum (PPM) 80–5, December 27, 1967.

"(2) A description of any changes in policy or procedure relating to the evaluation, appraisal, negotiation and acquisition of real property made subsequent to your report and answers to questions given to the aforesaid Select Subcommittee, as published."

(*a*) With respect to delivery of payments to grantors of right-of-way, no Federal-aid participation in the costs of rights-of-way or related incidental costs is permitted where payment is delivered by the appraiser or negotiator on a parcel. IM 21–7–65, April 20, 1965.

(*b*) Where Federal-aid funds are participating in the cost of right-of-way, the property owner shall not be required to surrender physical possession of the property until payment of 75 percent or more of the established fair market value has been made available to the property owner without prejudice. The payment can be made available by direct tender in negotiated cases or by deposit into court in a condemnation case, provided the condemnee has the right to draw against such deposit. Federal funds will not be available for interest payments after the date payment has been made available on that portion of the final settlement or award represented by such partial payment. IM 21–9–65, September 13, 1965.

(*c*) Federal-aid participation in right-of-way costs will not be permitted unless the property owner, in the first instance, has been offered in writing the established fair market value of the property to be taken for highway purposes. The mere sending of a letter to that effect is not sufficient; personal contact must be made and the full effect of the taking explained to the property owner. At the same time, the owner is to be supplied in writing, with an explanation of the steps available to him, if he elects to reject the State's offer. IM 21–14–65, November 30, 1965. See also IM 21–2–67, January 27, 1967.

(*d*) A written statement must be filed by the negotiator, after each contact with the property owner, indicating the substance of the contact. A certification must also be filed as to the negotiator's interest, when negotiations are successful. PPM 80–4, April 17, 1967.

(*e*) Simple value findings, rather than formal appraisals as such, and short form appraisals are authorized, defined and encouraged for use. Value findings are confined to properties of $250 or under, and short form appraisals to $2,500 or under.

(*f*) Original appraisals must be retained for a period of not less than three years from the date of payment of the final voucher. Any requests for correction or revision should be in writing, setting forth the reasons for the request. CM, February 3, 1966.

(*g*) Value findings are now authorized on properties of $500 or under, a follows:

The cost of small "nominal value" tracts of right-of-way is eligible fo Federal funds participation when acquired without formal written apprais als, but on the basis of written "value findings" made by qualified highwa department staff of fee personnel. In connection with very small takings some highway departments prescribe a minimum payment to a propert owner. Federal funds may participate in such payment if they do not excee $50 per parcel. IM 21–8–67, February 24, 1967.

(*h*) Federal funds may participate in the first two appraisals made fo any parcel valued at over $500. Federal funds may participate in the cos of two or more appraisals on parcels valued at less than $500 upon prio approval by the division engineer on a parcel basis. IM 21–8–67, February 2 1967.

(*i*) A significant policy relating to control of access impairment has bee revised to read as follows:

Payments made for personal property, loss of business or goodwill, ci cuity of travel and diversion of traffic, or other items of damage not generall compensable in eminent domain, are not considered eligible for Feder participation. Federal funds will participate in payments made for loss c impairment of access if such payments are based upon elements of damag generally compensable in eminent domain. Paragraph 5n, PPM 80–1, July 2 1967 (formerly 6b of PPM 21–4.1).

"(3) Are your negotiators allowed to make an offer for the acquisition of re property below the agency approved appraisal; and, if so, under what circu stances or rules is such action permitted?"

Under our procedures, the negotiator must offer the property owner the fu current market value of the property to be taken, as determined by the State reviewing appraiser, at the first contact where price is discussed. Such an off must be presented in writing at the time the verbal offer is made, and is confirme in writing on or prior to the second negotiating contact. The written offer ca be in the form of a letter, deed, option, agreement, etc. The negotiator must reco the amount of all offers in his record of call report, and such report must be ma a part of the parcel file. PPM 80–4, paragraph 3(b).

"(4) Since January 1, 1965, state the following:

(*a*) Number of purchases in which the initial offer was less than t agency approved appraisal;"

Since November 30, 1965, it has been our requirement that the initial off to the property owner be the full amount of the reviewing appraiser's es mate of value. This amount in most cases is the amount of an apprais On properties requiring more than one appraisal, in most cases, the reviewi appraiser will select one of the appraisals as the amount of offer. Curre regulations prohibit Federal-aid participation on parcels where less th State's approved estimate of value was offered and settlement made on th basis.

"(*b*) number of actual purchases made at less than the agency approv appraisal;"

As indicated above, such purchases would not be eligible for Fede aid reimbursement because they are contrary to our regulations. To o knowledge, no records of such purchases are being kept by the State. any event, we have no present knowledge of the extent of such purchas but in any case, they must be negligble or nonexistent.

"(*c*) number of purchases made at the agency approved appraisal;"

An extensive analysis of State right-of-way purchases and files would required to provide precise data on this point. However, the majority right-of-way purchased by the States fall into this category; we estimate t to be approximately 80 percent of all acquisitions.

"(*d*) number of purchases made above the agency approved appraisa

"Purchases above appraisals involve administrative or stipulated sett ments, and such action would require justification as specified in our regu tions. This category is estimated to account for approximately 10 percent the total acquisitions that qualify for Federal-aid reimbursement. The maining 5 percent go to condemnation to clear title or other technical reas and 5 percent go to contested trial. The above are national averages; th could be variations from State to State and region to region.

We trust that this information will be of help to you. If we can be of any further assistance, please do not hesitate to call on us.

Sincerely,

LOWELL K. BRIDWELL,
Federal Highway Administrator.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 26, 1968.

Hon. EDMUND S. MUSKIE,
Chairman, Subcommittee on Intergovernmental Relations, Committee on Government Operations U.S. Senate, Washington, D.C.

Dear SENATOR MUSKIE: Thank you for your letter of June 13 concerning the acquisition of real property by General Services Administration for Federal buildings projects since January 1, 1965.

The following is submitted in response to your numbered questions:

(1) There has been no change in our relocation assistance and compensation policies, procedures, and benefits subsequent to our report to the Select Subcommittee on Real Property Acquisition as published in December 1964 because there has been no change in our statutory authority for the acquisition of real property. Since that time General Services Administration has favored the enactment of uniform legislation which would authorize all Federal agencies to pay certain relocation costs and other benefits over and above the price paid for the real property based on its current fair market value.

(2) There has been no change in our policy or procedure relating to the evaluation, appraisal, negotiation and acquisition of real property since the 1964 report and the answers to questions submitted by the Select Subcommittee.

(3) Our procedures require that negotiations by our realty officers be directed to payment of just compensation for the property, recognizing that this is a price within reasonable range of the current appraised fair market value and that a real property appraisal is not infallible nor inflexible but at best reflects a range of value. In an effort to acquire real property at a price within reasonable range of the appraised fair market value as a rule our realty officers commence their negotiations at a figure slightly below the appraisal with the expectancy that in most instances a satisfactory price will be reached at or above, but within reasonable range of the appraised fair market value. As stated in our answer to question 20 furnished to the Select Subcommittee in March 1964, we follow this policy of flexible negotiations with the range extending from an offer or counter-offer at or below the appraised fair market value, which, if accepted would constitute just compensation for the property, to an offer or counter-offer in excess of the appraised fair market value which can be justified as within a reasonable range of the appraised fair market value. Prescribed procedures expressly require our negotiators at all time to exercise care "to completely and honestly protect the interests of property owners * * * who may be unfamiliar or inexperienced in real estate transactions and real estate values."

(4) Since January 1, 1965:

(*a*) Number of purchases in which the initial offer was less than the agency approved appraisal—390.

This is the total number of parcels purchased for the prescribed period and is included as an estimate in the absence of specific information as to how negotiations were started on each parcel, since negotiations are usually started at a figure less than the appraised fair market value.

(*b*) Number of actual purchases made at less than the agency approved appraisals—61.

In all of these instances we believe that the price paid was within a reasonable range of appraised fair market value and constituted just compensation for the property.

(*c*) Number of purchases made at the agency approved appraisal—54.

(*d*) Number of purchases made above the agency approved appraisal—275.

Out of a total of 390 parcels purchased, 84 percent were acquired at and above he appraised fair market value.

Sincerely,

LAWSON B. KNOTT, JR.,
Administrator.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., June 25, 1968.

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

DEAR SENATOR MUSKIE: This is a followup letter to my letter of June 18, and is in response to the questions asked in your letter of June 13, in connection with S. 698. The answers to the questions are as follows:

1. There have been no changes in the Department's relocation assistance and compensation policies, procedures and benefits since our report to the Select Subcommittee on Real Property Acquisition, as published on 1964.

2. There have been no changes in polices or procedures relating to the evaluation, appraisal, negotiation and acquisition of real property since our report to the aforementioned Select Subcommittee on Real Property Acquisition.

3. In most of the land purchasing programs carried on by this Department, our negotiators offer the landowners the current estimated full market value as determined by an approved appraisal. In the case of land purchases made by the Park Service and in connection with the Migratory Bird Program, we are authorized to make and do make offers for less than the approved appraisal.

4. Since January 1, 1965:

(*a*) Number of purchases in which the initial offer was less than the Department approved appraisal has been 4,938

(*b*) Number of actual purchases made at less than the Department approved appraisal has been 1,687

(*c*) Number of purchases made at the Department approved appraisal has been 17,087

(*d*) Number of purchases made above the Department approved appraisal has been 3,147

Sincerely yours,

KENNETH HOLUM,
Acting Secretary of the Interior.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., June 24, 1968.

HON. JOHN L. MCCLELLAN,
Chairman, Committee on Government Operations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department concerning S. 2981, a bill to provide temporary authority to expedite procedures for consideration and approval of projects drawing upon more than one Federal assistance program, to simplify requirements for the operation of those projects, and for other purposes.

The purpose of this legislation is to remove or simplify certain administrative and technical impediments which hamper or prevent the consideration, processing, approval, and administration of federally-assisted projects which draw upon resources available from more than one Federal agency program or appropriation.

This bill is permissive in nature. Although it makes the head of each Federal agency "responsible for taking actions, to the maximum extent feasible under applicable law, which will further the purposes of this Act with respect to Federal assistance programs administered by his agency," this language does not require the head of the agency to take actions which although permissible under existing law would not be consonant with good management practices.

This Department supports the enactment of S. 2981.

The Bureau of the Budget advised there would be no objection to the submission of this report and further that enactment of this legislation would be in accord with the program of the President.

Sincerely,

JOSEPH E. BARTLETT,
General Counsel.

(The material supplied by the Department of Housing and Urban Development follows:)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., February 6, 1968.

LOCAL PUBLIC AGENCY LETTER NO. 449

Subject: Negotiations for acquisition of real property.

The attached statement of policy and requirements governing negotiations or the acquisition of real property is applicable uniformly to all Renewal and Housing Assistance programs, including urban renewal projects.

Effective date of policy

The attached prescribed policy and requirements are mandatory with respect to each negotiation started after 30 days following receipt of this Letter. If an LPA began its negotiations with an owner before the end of such 30-day period and its initial offer to the owner was less than the HUD concurred-in acquisition price, the LPA shall, before the expiration of 90 days after receiving this Letter, either:

(1) Acquire, contract with the owner to acquire, or institute condemnation proceedings against, the property in accordance with the HUD requirements in effect immediately before the issuance of this policy, or

(2) Make a final written offer to the owner of the full amount of the HUD concurred-in acquisition price.

Implementation of policy

The introduction of the attached prescribed policy will require little or no change in the present negotiating practices of many LPA's. For others, modifications will be needed. If any LPA encounters legal or difficult practical impediments to achieving full conformance to the policy within the times specified in this Letter, the LPA should promptly notify the HUD Regional Office of the nature of its problem, any relief needed, and its proposed solution of the problem.

Modification of program policy and requirements

The attached policy and requirements cancel the provisions of the Urban Renewal Manual, Section 13–4–2, second, third, and fourth paragraphs under the heading, "Payment of Fair Prices." All remaining provisions of the Urban Renewal Manual and outstanding LPA Letters, pertaining to real estate acquisition, continue applicable to all acquisitions of property, including properties of the kind exempted by the attached statement from its specific requirements.

DON HUMMEL,
Assistant Secretary.

Attachment.

Attachment to:
HAA circular dated February 6, 1968 (Low-rent public housing program).
Local Public Agency Letter No. 449 (Urban renewal program).
Letter No. NF–7 (Neighborhood facilities program).
Code Enforcement Letter No. 11 (Code enforcement program).

To: Local agencies acquiring real property for RHA-assisted programs.

Subject: Negotiations for acquistion of real property.

PURPOSE

This statement establishes the policy to be followed uniformly by all local agencies in their negotiations with property owners for the purchase of real property for projects assisted by the Housing Assistance Administration or the Renewal Assistance Administration.

The principal purposes of the policy are (1) to provide additional protection for the interests of property owners, especially the unsophisticated or poorly informed who have limited ability to negotiate with representatives of local agencies, and (2) to put all negotiations for the acquisition of real property for RHA-assisted programs on a basis that acknowledges and accepts the obligation of public entities to treat all owners fairly, impartially, and consistently in negotiating the acquisition of their properties.

POLICY ON NEGOTIATIONS

The negotiations of a local agency with a property owner for the acquisition of real property or any interest therein, except property of a kind specifically exempted below, shall be on the basis of offering the owner initially the full amount of the acquisition price determined by the local agency and concurred in by HUD to represent fair compensation for the property to be acquired. Negotiations exempted from the foregoing initial-offer policy must, of course, also be conducted fairly and impartially.

SCOPE AND APPLICABILITY

Programs affected.—The above-stated policy and the requirements set forth below shall govern the negotiations of local agencies with property owners for the acquisition of real property for the following RHA-assisted programs:

Low-rent public housing, urban renewal, urban parks (open-space land program), neighborhood facilities, and code enforcement.

Properties covered by the policy.—The policy and requirements apply to the local agency's negotiations with owners for the acquisition of all properties, except:

1. Property proposed for purchase from an owner who is under no compulsion to sell, i.e., where the local agency is not committed or required to acquire the property and will buy the property only if it can do so at an acceptable price and on an acceptable basis without resorting to a trial of the issue of value or compensation in an eminent domain proceeding.
2. Property owned by the Federal Government, a State or local government, or an instrumentality thereof.
3. Property donated to the project.
4. Property of an owner who voluntarily and knowingly offers to sell his property to the project for less than its fair market value and executes a statement to that effect.
5. Any property for which the HUD concurred-in acquisition price is more than $100,000.
6. Any specifically identified property or interest in real property, regardless of its value, of such an unusual character that the local agency finds, with HUD Regional Office concurrence, that the fair compensation for the property should be determined by negotiating the basis of compensation and the amount thereof without first making a firm initial offer to the owner. Examples of the kinds of property and property interests for which such a finding may be appropriate are cemeteries, railroad operating properties, utility easements, limited interests and servitudes in land, and special-purpose industrial plants and similar properties involving complicated or controversial determinations of what is a fixture, i.e., realty, and what is personalty.

BASIS FOR POLICY

The foregoing policy accepts as valid for RHA-assisted projects the principle that the owner of a property to be taken for a public purpose generally should not be forced to bargain with a local agency to obtain an offer of the full amount determined by the local agency, with HUD concurrence, to represent the fair compensation for his property. The policy thus recognizes that a public entity armed with the power of eminent domain has a public duty, in its negotiations with owners, not only to protect the public interest, but also to safeguard the rights and interests of the owners.

The local agency's real estate representative, accordingly, must recognize that the central purpose of his negotiations of purchase prices should be to induce each owner to sell his property to the local agency at a price that represents the compensation that the owner would be entitled under eminent domain law to receive and the local agency would be obligated under such law to pay. With that objective in mind, negotiations will be conducted as they should be—from the viewpoint of seeking agreements as to fair compensation, rather than as a bargaining procedure that pits the power of the public body against the negotiating ability of the owner.

The policy has not been made applicable to negotiations for the purchase of properties in situations where the owner is under no compulsion to sell because in such cases the owner is under no pressure or threat of condemnation action and is entirely free to sell or not to sell as he pleases. If he chooses to sell, he does so voluntarily and needs no more protection than a seller of property in a private sale.

Properties having a HUD concurred-in acquisition price or approved valuation of more than $100,000 have also been excepted from the requirement because the determination of the proper valuation and compensation at such value levels is likely to require negotiation to reach a fully objective determination of value.

Other exceptions have been made, as noted, where the policy would be inappropriate or unnecessary.

NEGOTIATING PRACTICE

The negotiations with an owner of property, which the local agency would acquire by condemnation if an agreement with the owner as to the purchase price cannot be reached through negotiation, shall be started as soon as feasible after the required appraisals of the property have been completed and the price determined to represent the fair compensation for the property has been concurred in by the HUD Regional Office.

In every case for which the prescribed negotiating policy is applicable, the owner shall be offered initially the full measure of compensation authorized by the HUD price concurrence. In making the initial offer, the local agency or its real estate representative shall explain to the owner in a personal interview, if feasible, the policy of offering owners initially, and without any bargaining, the full price determined on the basis of competent appraisal to be the fair compensation for the property. Before, or preferably during, the first interview, each owner shall be furnished a written statement of the amount and the terms and conditions of the offer and an explanation of the steps the local agency will take if the owner elects to reject the local agency's offer. Merely sending a letter to an owner-occupant or a nonoccupant owner residing in the same locality is not enough. Effective personal negotiations are as necessary, if not more essential, under a full-fair-offer procedure, as when using the conventional trading method of negotiation.

The local agency's real estate representatives and staff members who will have dealings with property owners must be able to explain the local agency's acquisition policies and practices, including the full-fair-offer policy, and be able to assure owners that the local agency's policy is to protect the interests of the owners as well as the public interest. The real estate representative who negotiates with an owner must understand thoroughly the steps taken and the method used to determine the price offered to the owner, and he must be able to explain the process convincingly to the owner. His approach to the owner must never be an arbitrary one. But he must make it clear to the owner, on the other hand, that the offer is the full amount determined by the local agency, and concurrred in by HUD, to be the compensation that the owner is entitled to receive for his property and that the offer will not be changed unless evidence that the offered price is not sound is furnished by the owner or otherwise found by the local agency to exist.

The policy must never be regarded or explained by negotiators, or anyone else, as requiring or establishing an inflexible one-price system. Because the objective is the payment of fair and proper compensation, price adjustments can be made, and they should be proposed by the local agency whenever needed to correct a previously concured-in acquisition price for a property. If an error of appraisal or other justification for revising a concurred-in acquisition price is discovered, the local agency shall submit a request for a revision to the HUD Regional Office, with appropriate explanation and justification.

OBJECTIVES OF REAL ESTATE ACQUISITION POLICY

The principal objective of the Department's polices on real estate acquisition has been, and will continue to be, to make HUD-assisted land acquisition programs models of fairness and efficiency. The adoption, on a national scale for all HUA-assisted programs, of a uniform practice of offering each owner the full amount of the HUD concurred-in acquisition price at the outset of negotiations is believed to be an important further step toward full realization of the goals of fairness and efficiency, not only for HUD, but also for all local agencies participating in HUD programs.

PAYMENT OF FAIR PRICES

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To ensure that every homeowner and owner-occupant of small multi-family residential property is protected as completely as possible by this fair-price policy, the LPA shall pay, for each property in either of the categories listed below, a price that is not less than the lowest satisfactory appraisal considered by the LPA and the HHFA Regional Office in establishing the maximum acquisition price for the property on Form H–6144. In determining whether a proposed price complies with this requirement, the LPA may adjust the valuation reported in the lowest satisfactory appraisal to reflect the value of any rights or interests which are to be reserved in the vendor, as provided below under the hearing "Reservation of Rights in Vendor," but which were not considered by the appraiser in reaching his opinion of value.

The foregoing limitation on minimum acquisition price applies to each acquisition, by purchase or by stipulation or agreement as to value in a condemnation proceeding, of either of the following:

(1) Single-family dwelling property occupied entirely by the owner, regardless of the property value.

(2) One- to four-family dwelling property in which the owner is a occupant and for which the HHFA concurred-in acquisition price for the property is $15,000 or less.

A price that is lower than specified above may be paid only if the LPA has submitted to the HHFA Regional Office a justification of the proposed lower price as representing fair compensation for the property and has received HHFA concurrence in acquisition at the proposed price. The justification may consist of a staff analysis of the available appraisals and other pertinent valuation data or an additional appraisal in which the property is valued by the appraiser at not more than the LPA proposes to pay.

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