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organization - will have bill
and show your way
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MEETING WITH PRESIDENT
AND SECRETARY HILLS
Tuesday, February 10, 1976
Cabinet Room
10:00 a.m.

Community Dev. Block Grant Asst.

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[Feb. 1976]

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[Feb. 1976]

The purpose of this memorandum is to provide a brief discussion of H.R. 5247 and to outline the advantages of a community development block grant substitute for the enrolled enactment.

I. Summary of Description and Weaknesses of H.R. 5247

Title I. Provides a FY 1977 authorization of \$2.5 billion for 100% federal grants for local public works projects, thereby replacing careful local project selection with grantsmanship.

Title II. Provides for temporary grants to State and local governments to help them maintain basic municipal services. The estimated cost is \$1.5 billion over the next 15 months. The program is triggered by the national unemployment rate exceeding 6%. Because local fund allocations would be based in part on local taxes raised, cities and States would receive aid based on what they spend, creating incentives to greater expenditures.

Title III. Provides (1) \$1.4 billion in FY 1977 funds for EPA's wastewater treatment grants, (2) an extension, \$500 million authorization and modification of the Job Opportunities program, (3) interest subsidies on EDA loans to businesses, and (4) additional EDA grant and loan authority which would effectively make EDA an Urban Renewal Agency.

Only a small proportion of the over \$6 billion cost of H.R. 5247 would be available, in the short term, to create local jobs.

II. Proposed Alternative to H.R. 5247

A. Program Description

Under HUD's proposal funds would be provided primarily to cities with more than 50,000 population, since they were the hardest hit by the recent recession and will be slowest to recover. The HUD proposal seeks to create private sector jobs in areas of excessively high unemployment.* This temporary assistance, which dove-tails with the President's philosophy that economic growth is best produced through the private sector, will help revitalize these very depressed areas so that they may participate in the national recovery.

* East St. Louis	- 18%	Pontiac	- 30%	Niagara Falls	- 18%
Flint	- 19%	Camden	- 16%	Providence	- 17%
Detroit	- 22%	Buffalo	- 17%	Laredo	- 20%



The program would be activated only when the national unemployment rate is over 7%, and \$15 million per quarter would be available for each .1% by which unemployment exceeds 7%. At the present 8.3% rate of unemployment (1.3% above 7%) funds would be provided in the amount of \$195 million per quarter, or \$780 million per year.

Assistance would be provided only to cities with unemployment over 8% based on the extent to which the city's unemployment exceeds 8%. (See attached table for examples.)

Twenty-five percent of the funds would be distributed to states with unemployment over 8% to use in areas outside cities of 50,000.

B. Program Administration

Grants would flow into their community development program, subject to the same statutory standards as community development block grants. To participate, the city would submit a brief statement of its planned use of the funding, referencing its HUD-approved community development application.

C. Advantages

- (1) The measure provides emergency relief only to those local governments with high unemployment.
- (2) Cities which experience improved employment conditions will have their own supplemental funding reduced quarterly.
- (3) The program phases out automatically when the national unemployment rate drops below 7%, which is predicted to occur in early 1977.
- (4) Directing supplementary funding into local community development programs is responsive to the special problems of the cities. In addition to stimulating the local economy with "new" money, the supplement will allow the recipients to attract and keep industry and stabilize and improve declining neighborhoods. These activities should create private sector jobs and improve the local economy.



- (5) Most of the funds would be spent on activities which create jobs in the private sector rather than creating long term obligations for financially strapped local governments by swelling public payrolls.
- (6) The HUD proposal, at a cost of \$780 million, will create at least 38,000 jobs during the first quarter after implementation and another 25,000 within the next 6 months. In contrast, H.R. 5247, at a total cost of over \$6 billion, would produce 28,000 jobs during the first quarter after implementation. Ultimately, H.R. 5247 would create up to 198,000 additional jobs, but only long after the program was implemented and the stimulus needed.
- (7) Use of the existing block grant administrative structure at the Federal and local level reduces start-up time and administrative costs; requires local priority-setting which would be lost under the categorical programs in H.R. 5247; and avoids the disruption which often occurs when Federal funds are discontinued.
- (8) As the economy continues to recover and interest rates fall, the cost of government borrowing will decrease and the Administration can remain within its budget target of \$395 billion.
- (9) The \$6 billion public works/public employment bill now before you passed the House by a clear veto override margin. Availability of a far less costly and programmatically sounder Administration alternative could provide the margin to sustain a veto.
- (10) Proposing an alternative, even if it is unsuccessful and the veto is overridden, shows that the Administration is concerned about and looking for ways to help urban centers with high unemployment.



[Feb. 1976]

	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT NO.	EXCESS UNEMPLOYMENT	CDMG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HRS247 TITLE II FORMULA (\$000)
ALABAMA					
ANNISTON	360.	12.6	1462.	534.	235.
FLORISSANCE	276.	11.1	1463.	409.	1024.
GADSDEN	996.	15.1	3140.	1477.	305.
HUNTSVILLE	677.	9.8	5457.	1004.	4065.
ALASKA					
ANCHORAGE	79.	8.5	1982.	117.	655.
ARIZONA					
PHOENIX	3744.	10.3	24867.	5553.	2570.
SCOTTSDALE	57.	8.3	2341.	85.	1832.
TEMPE	181.	9.0	2416.	268.	853.
ARKANSAS					
FAYETTEVILLE	172.	10.1	1229.	256.	854.
FORT SMITH	376.	10.1	2678.	557.	736.
SPRINGDALE	103.	10.1	737.	153.	772.
CALIFORNIA					
ALAMEDA	47.	8.2	2872.	70.	260.
ANAHEIM	252.	8.5	6347.	373.	511.
PFULLFLOWER	78.	8.5	1975.	116.	183.
BERKELEY	2014.	13.4	7413.	2987.	2812.
BUENA PARK	177.	9.0	2366.	263.	203.
RIVERSIDE	296.	9.0	3952.	439.	273.
CARSON	73.	8.4	2276.	108.	320.
CHULA VISTA	415.	10.3	2756.	615.	258.
COMPTON	1190.	14.6	3903.	1764.	4982.
CONCORD	47.	8.2	2675.	70.	223.
COSTA MESA	85.	8.4	2639.	126.	229.
EL CAJON	241.	9.7	2036.	357.	192.
EL MONTE	150.	8.8	2440.	222.	367.
FAIRFIELD	62.	8.5	1569.	92.	172.
FREMONT	26.	8.1	3173.	39.	288.
FRESNO	733.	9.7	6203.	1087.	10038.
FULLERTON	77.	8.3	3146.	114.	250.



	ALLOCATION UNDER \$ 15 MILL. PER 1/10	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CDRG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
	FORMULA (\$000)	PERCENT	NO.			FORMULA (\$000)
GARDEN GROVE	172.	8.5	4328.	255.	367.	200.6
HAWTHORNE	242.	9.4	2414.	359.	175.	120.9
HAYWARD	721.	10.7	4238.	1069.	336.	473.3
INGLEWOOD	214.	8.7	3938.	317.	1851.	327.8
LAKEWOOD	145.	8.6	3077.	215.	231.	116.1
LONG BEACH	1758.	9.6	15646.	2608.	1514.	1483.4
LOS ANGELES	22783.	10.7	133890.	33785.	38595.	20273.0
MODESTO	726.	12.4	3034.	1077.	251.	399.0
MONTREY	467.	11.1	2482.	693.	82.	0.0
NORWALK	475.	10.0	3524.	705.	374.	124.6
OAKLAND	4974.	12.7	19931.	7376.	12738.	3098.7
ONTARIO	817.	12.8	3230.	1211.	297.	251.6
OXNARD	375.	10.0	2784.	557.	1598.	295.2
PICO RIVERA	114.	8.8	1854.	169.	254.	85.2
POMONA	364.	9.6	3240.	540.	395.	364.4
PEDONDO BEACH	302.	9.8	2440.	448.	1149.	259.5
RICHMOND	875.	12.0	3891.	1297.	4096.	710.6
RIVERSIDE	643.	9.7	5438.	953.	1608.	440.1
SACRAMENTO	1189.	9.7	10060.	1763.	3791.	1219.4
SALINAS	709.	12.2	3053.	1051.	264.	374.6
SANTA ANA	472.	9.1	5786.	699.	689.	479.5
SANTA CLARA	439.	9.7	3715.	651.	359.	338.7
SANTA CRUZ	427.	13.2	1609.	634.	164.	0.0
SANTA MONICA	413.	9.4	4108.	612.	361.	371.4
SANTA ROSA	436.	11.3	2214.	647.	1821.	356.6
SAN BERNARDINO	1009.	11.9	4567.	1497.	3117.	641.2
SAN DIEGO	5032.	10.4	32338.	7463.	9148.	2924.5
SAN FRANCISCO	5920.	10.5	36873.	8779.	28798.	10492.0
SAN JOSE	2469.	10.1	17613.	3662.	6554.	2074.7
SAN LEANDRO	21.	8.1	2539.	31.	193.	227.9
SFASIDE	373.	11.1	1980.	553.	1726.	0.0
SIMI VALLEY	404.	11.0	2210.	603.	249.	109.2
SOUTH GATE	52.	8.3	2138.	77.	218.	106.5
STOCKTON	1177.	12.2	5069.	1745.	1803.	806.3
SUNNYVALE	86.	8.3	3538.	128.	255.	252.5
WESTMINSTER	31.	8.2	1905.	46.	194.	107.5
ALAMEDA COUNTY	1974.	10.7	11599.	2927.	745.	4874.2
CONTRA COSTA CO.	1112.	9.1	13647.	1650.	1060.	2356.3
FRESNO COUNTY	1530.	10.5	9530.	2269.	1560.	1957.3
KERN COUNTY	261.	8.4	8128.	387.	1440.	1417.2
LOS ANGELES COUNTY	8005.	9.5	75183.	11871.	14461.	32645.0
ORANGE COUNTY	0.	8.0	16087.	0.	1361.	3074.8
RIVERSIDE COUNTY	1625.	10.6	9825.	2410.	1342.	2356.2
SACRAMENTO COUNTY	1040.	9.0	13874.	1542.	1258.	2862.4
SANTA CLARA COUNTY	846.	9.0	11288.	1254.	1012.	3496.1
SAN BERNARDINO CO.	3776.	11.3	19175.	5600.	1863.	3927.4
SAN DIEGO COUNTY	2655.	10.0	19683.	3937.	1611.	4774.5

	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CDRG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
COLORADO						
CONNECTICUT						
BRIDGEPORT	1989.	12.3	8438.	2950.	4113.	1710.4
BRISTOL	1042.	14.3	3507.	1545.	1533.	518.9
DANBURY	669.	12.5	2755.	992.	1198.	411.2
FAIRFIELD	67.	8.5	1682.	99.	162.	249.8
HARTFORD	1878.	11.9	8498.	2785.	10267.	2312.7
MERIDEN	638.	11.9	2885.	946.	408.	352.6
MILFORD	559.	11.7	2621.	829.	515.	490.0
NEW BRITAIN	1384.	13.3	5152.	2053.	4182.	752.3
NEW HAVEN	1357.	11.4	6749.	2013.	18162.	1493.2
NEW LONDON	41.	8.4	1268.	60.	6418.	0.0
NORWALK	97.	8.4	3019.	144.	812.	383.3
NORWICH	46.	8.4	1429.	68.	1478.	0.0
WATERBURY	1037.	13.8	6482.	2724.	5688.	1164.2
WEST HAVEN	179.	9.1	2193.	265.	758.	194.8
DELAWARE						
WILMINGTON	1447.	14.5	4787.	2146.	4490.	1104.3
NEW CASTLE COUNTY	1891.	10.3	12557.	2804.	759.	639.4
DISTRICT OF COLUMBIA						
FLORIDA						
BOCA RATON	187.	10.9	1045.	278.	408.	0.0
COCOA	247.	13.4	907.	366.	113.	0.0
DAYTONA BEACH	312.	10.8	1787.	463.	675.	0.0
FORT LAUDERDALE	1478.	11.8	6806.	2192.	612.	1103.8
FORT MYERS	324.	12.3	1373.	480.	518.	0.0
MIAMI BEACH	99.	8.3	4069.	147.	512.	237.6
HOLLYWOOD	1475.	13.5	5370.	2188.	408.	741.3
LAKELAND	0.	8.0	1279.	0.	217.	0.0
MELBOURNE	579.	13.4	2131.	859.	580.	0.0
MIAMI BEACH	727.	12.1	3184.	1079.	564.	1266.9
MIAMI	2426.	10.3	16114.	3598.	3165.	1901.0
ORLANDO	893.	11.0	4856.	1324.	936.	591.8



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PENSACOLA	140.	8.9	2053.	208.	367.	133.7
SAINT PETERSBURG	733.	9.5	6884.	1087.	1010.	631.8
SARASOTA	334.	11.5	1650.	502.	965.	0.0
TAMPA	1545.	10.0	11454.	2291.	8577.	1118.3
TITUSVILLE	440.	13.4	1621.	653.	959.	0.0
WEST PALM BEACH	713.	12.1	3121.	1058.	307.	449.7
WINTER HAVEN	0.	8.0	549.	0.	96.	0.0
BROWARD COUNTY	1434.	12.5	5906.	2126.	1435.	1288.2
DADE COUNTY	2144.	9.0	28616.	3180.	21610.	3993.0
HILLSBOROUGH COUNTY	1033.	9.8	4339.	1532.	922.	1073.7
ORANGE COUNTY	1916.	11.2	9947.	2842.	905.	987.3
PALM BEACH COUNTY	1727.	10.9	9627.	2561.	1068.	1237.6
PINELLAS COUNTY	698.	9.4	6948.	1035.	816.	758.5
GEORGIA						
ALBANY	425.	10.1	3032.	630.	690.	168.0
ATLANTA	6953.	12.7	27860.	10310.	18780.	3609.9
AUGUSTA	259.	9.7	2190.	384.	1042.	209.3
COLUMBUS	256.	8.6	5434.	379.	4287.	567.2
MACON	337.	9.0	4495.	499.	1023.	383.4
SAVANNAH	288.	8.9	4217.	426.	7264.	366.8
HAWAII						
IDAHO						
ILLINOIS						
CHICAGO	10783.	9.1	132285.	15991.	43201.	18583.0
DECATUR.	449.	11.3	4311.	1259.	515.	328.0
EAST SAINT LOUIS	1463.	18.0	3904.	2169.	3492.	573.5
ELGIN	0.	8.0	1949.	0.	157.	125.3
LOUISE	243.	9.1	2981.	360.	295.	256.8
ROCKFORD	1552.	11.6	7418.	2302.	2607.	782.0
WAUKEGAN	20.	8.1	2435.	30.	268.	206.9
MADISON COUNTY	1543.	10.3	10247.	2288.	992.	203.0
SAINT CLAIR COUNTY	1592.	10.9	8875.	2361.	890.	342.1

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INDIANA						
ANDERSON	1344.	14.7	4371.	1992.	762.	498.7
EVANSVILLE	543.	9.5	5476.	865.	2878.	449.9
FORT WAYNE	1700.	11.3	8633.	2521.	2081.	773.9
GARY	537.	9.2	6105.	796.	6974.	776.7
INDIANAPOLIS	1067.	8.5	26890.	1582.	13929.	2834.9
MUNCIE	922.	12.9	3598.	1367.	344.	378.3
SOUTH BEND	391.	9.1	4798.	580.	3547.	459.0
IOWA						
COUNCIL BLUFFS	200.	9.2	2278.	297.	267.	124.1
KANSAS						
KANSAS CITY	613.	9.3	6507.	910.	6206.	665.3
KENTUCKY						
COVINGTON	384.	10.8	2197.	570.	1507.	267.0
HOPKINSVILLE	17.	8.3	696.	25.	140.	0.0
LOUISIANA						
ALEXANDRIA	254.	10.5	1582.	377.	326.	0.0
LAKE CHARLES	229.	9.2	2600.	339.	1478.	240.9
MONROE	124.	8.9	1819.	184.	1415.	126.2
NEW ORLEANS	2257.	9.5	21194.	3346.	14808.	2969.8
SHREVEPORT	438.	8.9	6417.	649.	1142.	627.0
MAINE						
AUBURN	347.	12.9	1353.	514.	701.	0.0
LEWISTON	608.	12.9	2372.	901.	2936.	0.0
PORTLAND	273.	9.5	2561.	404.	5272.	435.9
MARYLAND						
BALTIMORE	6794.	10.7	39924.	10074.	32749.	5220.7



	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CORR ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
MASSACHUSETTS						
ARLINGTON	36.	8.3	1484.	54.	141.	295.7
BOSTON	9064.	12.8	35842.	13441.	32108.	15957.0
BROCKTON	1021.	12.1	4466.	1513.	1032.	1070.2
CAMBRIDGE	1291.	11.9	5842.	1915.	4035.	1835.1
CHICOPEE	946.	12.7	3791.	1403.	365.	505.6
FALL RIVER	1947.	14.7	6334.	2887.	5442.	1329.3
FITCHBURG	412.	11.3	2092.	611.	566.	0.0
FRAMINGHAM	40.	8.3	1651.	60.	249.	409.2
HAVERHILL	434.	11.3	2205.	644.	1976.	0.0
HOLYOKE	940.	14.8	3035.	1394.	2942.	613.1
LAWRENCE	939.	12.6	3816.	1393.	1578.	700.7
LEOMINSTER	317.	11.3	1609.	470.	113.	0.0
LOWELL	1397.	13.1	5321.	2071.	3542.	1011.9
LYNN	1151.	12.5	4739.	1706.	3227.	1250.4
MALDEN	433.	10.6	2616.	642.	4546.	549.1
MEDFORD	281.	9.5	2642.	417.	181.	497.2
NEWTON	135.	8.5	3411.	201.	655.	721.5
NEW BEDFORD	2366.	16.0	7016.	3508.	10138.	1563.3
PITTSFIELD	491.	11.1	2607.	728.	1342.	549.5
QUINCY	788.	11.0	4285.	1169.	983.	1169.9
SOMERVILLE	1295.	12.9	5056.	1921.	337.	941.7
SPRINGFIELD	2484.	13.4	9142.	3684.	9096.	1784.7
WALTHAM	224.	9.2	2547.	332.	193.	410.3
WYOMOUTH	58.	8.5	1456.	86.	163.	335.9
WORCESTER	1471.	10.9	8198.	2181.	6044.	1820.9
MICHIGAN						
ANN ARBOR	693.	10.3	4601.	1027.	2476.	453.8
BATTLE CREEK	453.	12.2	1953.	672.	177.	0.0
DAY CITY	914.	15.2	2863.	1356.	1318.	0.0
DEARBORN HEIGHTS	640.	11.0	3480.	949.	231.	193.9
DEARBORN	727.	10.4	4670.	1078.	294.	916.9
DETROIT	55534.	21.6	130795.	82353.	34187.	38027.0
EAST LANSING	681.	12.7	2730.	1010.	164.	0.0
FLINT	5573.	19.1	14220.	8264.	8759.	2363.6
GRAND RAPIDS	2806.	13.1	10688.	4161.	4815.	1169.3
JACKSON	288.	10.4	1852.	427.	1062.	0.0
KALAMAZOO	888.	11.7	4163.	1317.	343.	394.1
LANSING	1695.	12.5	6983.	2514.	6967.	878.4
LINCOLN PARK	719.	12.7	2881.	1066.	456.	178.9
LIVONIA	251.	8.9	3685.	373.	266.	352.4
MUSKEGON HEIGHTS	200.	12.7	802.	297.	676.	0.0

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MUSKEGON	559.	12.7	2239.	828.	1108.	0.0
PONTIAC	4755.	29.9	9628.	7052.	3198.	2786.0
PORTAGE	153.	9.7	1298.	227.	84.	0.0
ROSEVILLE	1145.	15.1	3612.	1698.	212.	302.4
ROYAL OAK	503.	10.0	3729.	746.	221.	237.0
SAGINAW	1558.	14.8	5062.	2326.	3608.	776.1
SAINT CLARE SHORES	872.	11.7	4088.	1293.	261.	283.9
SOUTHFIELD	289.	9.5	2713.	428.	145.	336.6
STERLING HEIGHTS	804.	13.2	3026.	1192.	144.	379.3
TAYLOR	1325.	15.6	4037.	1967.	239.	408.4
WARREN	2022.	12.3	8576.	2998.	1586.	975.5
WESTLAND	502.	10.7	3536.	892.	268.	208.3
WYOMING	498.	11.1	2644.	738.	183.	177.6
GENESEE COUNTY	4718.	17.1	13146.	6996.	721.	1487.8
OAKLAND COUNTY	6793.	14.6	22284.	10073.	954.	2286.1
WAYNE COUNTY	5561.	17.1	15498.	8247.	637.	8345.0
MINNESOTA						
DULUTH	274.	9.0	3651.	406.	3386.	254.4
MINNEAPOLIS	276.	8.2	16773.	409.	16793.	1409.0
MISSISSIPPI						
BILOXI	31.	8.2	1895.	46.	3933.	53.8
MISSOURI						
KANSAS CITY	2259.	9.5	21215.	3350.	17859.	3378.0
SAINT LOUIS	8200.	12.9	32014.	12160.	15194.	8560.0
MONTANA						
BILLINGS	86.	8.5	2167.	127.	246.	152.7
GREAT FALLS	130.	8.8	2128.	193.	243.	136.9
NEBRASKA						
OMAHA	498.	8.5	12554.	738.	1390.	1207.7



	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CORG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
NEVADA						
LAS VEGAS	1611.	12.3	6836.	2390.	510.	974.3
RENO	357.	9.5	3350.	529.	257.	400.9
NEW HAMPSHIRE						
MANCHESTER	700.	10.7	4113.	1038.	2500.	627.0
NEW JERSEY						
ASBURY PARK	18.	8.4	570.	27.	297.	0.0
ATLANTIC CITY	517.	12.1	2264.	767.	3340.	0.0
BAVONNE	66.	8.3	2707.	98.	500.	319.8
BLOOMFIELD	132.	8.8	2149.	195.	134.	254.4
BRIDGETON	353.	14.0	1223.	524.	283.	0.0
CAMDEN	2317.	16.6	6633.	3436.	5554.	1224.9
ELIZABETH	771.	10.2	5303.	1144.	511.	682.0
IRVINGTON	273.	9.4	2722.	405.	297.	306.9
JERSEY CITY	1855.	10.5	11555.	2751.	6485.	1623.2
LONG BRANCH	37.	8.4	1141.	54.	145.	0.0
MILLVILLE	381.	14.0	1319.	565.	78.	0.0
NEWARK	8123.	16.2	23799.	12047.	20513.	5457.3
NEW BRUNSWICK	37.	8.3	1508.	54.	1399.	0.0
PASSAIC	1130.	14.6	3706.	1675.	283.	358.0
PATERSON	2679.	14.5	8862.	3973.	4036.	1316.4
PERTH AMBOY	35.	8.3	1450.	52.	1441.	0.0
SAYREVILLE	69268.	83.0	113677.	102720.	770.	0.0
TRENTON	616.	10.1	4398.	914.	5097.	658.4
UNION CITY	1262.	14.8	4072.	1871.	301.	540.6
VINELAND	756.	14.0	2616.	1121.	1519.	0.0
BURLINGTON COUNTY	1693.	10.9	9435.	2510.	509.	679.6
HUDSON COUNTY	1228.	11.5	5985.	1821.	385.	2379.4
MIDDLESEX COUNTY	212.	8.3	8712.	315.	655.	978.3
MONMOUTH COUNTY	342.	8.4	10655.	507.	978.	809.6
UNION COUNTY	168.	8.2	10204.	249.	613.	806.8
NEW MEXICO						
NEW YORK						
ALBANY	69.	8.2	4191.	102.	2109.	612.4

	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT NO.	EXCESS UNEMPLOYMENT	CDRG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
BINGHAMTON	414.	10.3	2751.	614.	562.5
BUFFALO	10449.	16.5	30221.	15569.	6621.6
ELMIRA	153.	9.5	1434.	226.	0.0
MOUNT VERNON	614.	10.7	3608.	910.	500.6
NEW ROCHELLE	332.	9.5	3121.	493.	551.3
NEW YORK	56382.	10.5	351165.	83611.	137835.0
NIAGARA FALLS	2276.	17.9	6102.	3375.	1174.4
ROCHESTER	600.	8.7	11055.	890.	1548.4
ROME	503.	11.9	2274.	745.	159.5
SCHENECTADY	175.	8.8	2861.	260.	243.3
SYRACUSE	560.	9.0	7472.	830.	779.5
TROY	101.	8.6	2154.	150.	182.1
UTICA	1069.	12.2	4604.	1585.	478.8
YONKERS	1051.	9.7	8892.	1558.	1138.2
ERIE COUNTY	8580.	13.2	32299.	12724.	8197.0
ROCKLAND COUNTY	49.	8.1	5844.	72.	546.4
SUFFOLK COUNTY	82.	8.1	9858.	122.	4825.0
NORTH CAROLINA					
ASHEVILLE	958.	13.8	3382.	1421.	506.0
DURLINGTON	412.	11.4	2050.	611.	0.0
CHARLOTTE	2656.	11.6	12690.	3938.	1788.3
GASTONIA	280.	9.9	2162.	415.	0.0
GREENSBORO	130.	8.3	5337.	193.	550.9
HIGH POINT	40.	8.2	2405.	59.	184.7
WILMINGTON	240.	9.9	1856.	356.	203.1
WINSTON-SALEM	2399.	14.4	8005.	3558.	1068.0
NORTH DAKOTA					
OHIO					
AKRON	1265.	9.7	10706.	1876.	1168.7
CANTON	385.	9.3	4036.	571.	388.3
CINCINNATI	3100.	10.5	19307.	4597.	3422.0
CLEVELAND	3066.	9.5	28799.	4547.	3220.9
DAYTON	1664.	10.4	10593.	2468.	1241.8
FLYRIA	220.	9.5	2068.	327.	158.9
HAMILTON	1021.	13.7	3638.	1514.	371.8
LIMA	1231.	16.5	3543.	1825.	274.1
LORAIN	379.	9.9	2425.	561.	258.4
MANSFIELD	46.	8.3	1876.	68.	144.2
MARIETTA	134.	11.1	714.	199.	0.0



	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CORR ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
MIDDLETOWN	646.	13.0	2492.	958.	5353.	0.0
SPRINGFIELD	131.	8.6	2779.	194.	666.	196.9
TOLEDO	3843.	11.6	18363.	5699.	11831.	1939.0
WARREN	472.	10.7	2776.	701.	914.	205.2
YOUNGSTOWN	1919.	13.3	7141.	2846.	3730.	922.6
HAMILTON COUNTY	410.	8.5	10336.	608.	849.	1168.5
MONTGOMERY COUNTY	83.	8.1	9948.	123.	757.	658.6
SUMMIT COUNTY	0.	8.0	6643.	0.	579.	512.0
OKLAHOMA						
OREGON						
EUGENE	575.	10.7	3379.	853.	421.	386.1
PORTLAND	2261.	10.0	16765.	3353.	8760.	1724.8
SALEM	635.	11.5	3093.	941.	3183.	366.2
SPRINGFIELD	336.	12.5	1383.	498.	104.	0.0
PENNSYLVANIA						
ALLENTOWN	431.	9.3	4577.	640.	2426.	349.8
ALTOONA	257.	9.6	2284.	381.	1225.	127.1
CHESTER	938.	14.2	3187.	1391.	2303.	376.6
HARRISBURG	137.	8.7	2530.	204.	2482.	158.1
HAZLETON	189.	10.2	1296.	280.	106.	0.0
LANCASTER	751.	12.4	3138.	1113.	4208.	246.0
PHILADELPHIA	16309.	11.0	88679.	24185.	60829.	21486.0
PITTSBURGH	2748.	10.0	20375.	4075.	16429.	2679.3
READING	126.	8.7	3426.	276.	4186.	193.1
SCRANTON	1459.	13.0	5627.	2164.	7747.	474.9
WILKES-BARRE	473.	10.8	2704.	701.	8088.	202.4
WILLIAMSPORT	208.	10.1	1482.	308.	1080.	0.0
YORK	509.	11.4	2531.	755.	1234.	233.3
BUCKS COUNTY	310.	8.5	7810.	459.	629.	426.5
LUZERNE COUNTY	954.	10.2	6560.	1415.	584.	293.5
WESTMORELAND COUNTY	1425.	10.0	10565.	2113.	939.	294.9
RHODE ISLAND						
CRANSTON	943.	12.5	3886.	1399.	461.	447.0
PANTUCKET	1942.	16.3	5676.	2880.	5850.	771.6
PROVIDENCE	4804.	17.1	13386.	7124.	9110.	2230.4
WARWICK	1537.	14.3	5172.	2279.	384.	362.5

	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CDRG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
SOUTH CAROLINA						
COLUMBIA	299.	8.8	4881.	444.	1936.	236.6
GREENVILLE	383.	10.1	2729.	567.	2205.	268.1
SPARTANBURG	505.	12.0	2247.	749.	4434.	0.0
SOUTH DAKOTA						
TENNESSEE						
TEXAS						
BROWNSVILLE	413.	11.9	1867.	612.	645.	172.4
DENISON	296.	12.4	1236.	439.	179.	0.0
EDINBURG	94.	10.4	602.	139.	4198.	0.0
EL PASO	1615.	10.1	11524.	2396.	2195.	1145.8
HARLINGEN	226.	11.0	1230.	335.	355.	0.0
LAREDO	1661.	19.5	4176.	2463.	2663.	479.1
MCALLEN	209.	10.4	1343.	310.	399.	0.0
PHARR	74.	10.4	478.	110.	218.	0.0
PORT ARTHUR	266.	9.9	2056.	395.	1324.	186.8
SAN ANTONIO	653.	8.4	20335.	968.	17904.	1289.6
SAN BENITO	95.	11.0	518.	141.	201.	0.0
SHEPHERD	374.	12.4	1565.	555.	109.	0.0
TEXARKANA	61.	8.7	1121.	90.	2812.	0.0
WACO	78.	8.3	3184.	115.	5704.	235.3
UTAH						
OGDEN	426.	10.2	2931.	632.	655.	177.7
OREM	12.	8.2	738.	18.	114.	0.0
PROVO	40.	8.3	1641.	59.	375.	691.0
SALT LAKE CITY	0.	8.0	6124.	0.	4176.	468.8
VERMONT						
VIRGINIA						
LYNCHBURG	16.	8.1	1887.	23.	1537.	227.8

	ALLOCATION UNDER \$ 15 MILL. PER 1/10 FORMULA (\$000)	UNEMPLOYMENT PERCENT	NO.	EXCESS UNEMPLOYMENT	CDRG ENTITLEMENT FY1975 (\$000)	ALLOCATION UNDER HR5247 TITLE II FORMULA (\$000)
PORTSMOUTH	0.	8.0	3521.	0.	4570.	394.2
ROANOKE	134.	8.5	3386.	199.	2629.	442.8
WASHINGTON						
SEATTLE	1010.	8.6	21462.	1497.	11641.	2001.2
SPOKANE	1004.	10.2	6903.	1489.	706.	661.4
TACOMA	617.	9.5	5792.	915.	2459.	695.7
YAKIMA	469.	12.0	2085.	695.	256.	0.0
KING COUNTY	669.	8.4	20848.	993.	1511.	1357.1
PICHOE COUNTY	664.	9.0	8867.	985.	718.	339.4
SNOHOMISH COUNTY	402.	8.8	6562.	597.	573.	423.8
WEST VIRGINIA						
PARKERSBURG	267.	10.3	1774.	396.	244.	0.0
WEIRTON	27.	8.4	851.	41.	89.	0.0
WISCONSIN						
MILWAUKEE	2963.	9.4	29498.	4393.	13383.	2500.8
OSHKOSH	105.	8.7	1938.	156.	179.	95.3
WEST ALLIS	21.	8.1	2577.	32.	196.	133.4
WYOMING						
TOTAL CITY ALLOCATION	585000.					
STATE SET-ASIDE	195000.					
TOTAL PROGRAM	780000.					

[Feb. 1976]

THE WHITE HOUSE
WASHINGTON

To
Jim Cannon
per request



A. Moore

THE WHITE HOUSE
WASHINGTON

To:

David Lissy
Paul Leach ✓
Lynn May ✓
Steve McConahey ✓
Paul Myer

From: Allen Moore

Subject: Draft veto message for H.R. 5247
the Local Public Works Capital
Development and Investment Act of
1975.

Please review the attached and give me comments
or come to a meeting to discuss it Tuesday
4:00 p.m. in Art Quern's office.



1) Track record of person
similar bill in
for creation
2) small communities can't
afford applications.

I am returning without my signature H.R. 5247, the Local Public
Worker^s Capital Development and Investment Act of 1975.

Mr. Longfellow (Insert on concern for unemployed)

I believe, first of all, that this bill represents the wrong strategy for solving this country's serious problems of unemployment and economic recovery. In addition, I believe that the bill suffers from serious technical and administrative shortcomings which would set some totally undesirable precedents for Federal intervention and hamper the bill's limited potential for positive results.

Philosophically, I am opposed to this bill because it is basically a public employment program. It would pump Federal dollars into local areas to create temporary, public jobs. I have stated on many occasions my opposition to putting ^(additional) ~~more~~ tax money into public employment programs ^{beyond} ~~than~~ the nearly \$5 billion we already spend for such purposes.

The program I outlined in my State of the Union address seeks a continuation of the economic program initiated in late 1974. It is a program designed to develop real, permanent jobs which offer a future to working Americans ^{jobs} ~~and~~ which produce real goods and services for our economy. Public employment programs can have a role, but only a limited role. Otherwise, these programs build false hopes; they substitute Federally sponsored employees for persons who should be on the local economy's payroll; they work against financial responsibility at the local level; they constitute a drain on the producing sectors of the economy; and they promote inflation.

My program for economic recovery lacks the glamour and political appeal of new multi-billion dollar public works legislation. It ^{may} suffers by comparison in the short-term because it does not ^{build} ~~generate~~ new municipal buildings in the Nation's communities. But it produces a preferable and more ^{lasting} ~~viable~~ result in the long-run. My program consists principally of Federal tax cuts, tax incentives for private industry expansion, tightly controlled growth of Federal spending, and extended unemployment compensation for the unemployed. I firmly believe we are now beginning to realize some of the positive and permanent results of the past year's efforts. The month of January saw a dramatic drop in the unemployment rate from 8.3% to 7.8%. Nearly half a million persons left the rolls of the unemployed to go back to work. I caution against projecting this rate of improvement into the future because a drop this large is highly unusual and may reflect some unusual ^{statistical} ~~economic~~ adjustments. We may even see a slight increase in February because the January decline was so sharp. The main point, however, is that my program ^{is on the right track} is working. The unemployment rate has been falling steadily for months, the stock market moved ahead at record levels in January, real industrial output is up, interest rates are falling, and price increases are generally under control. The signs are mostly positive, and I strongly believe we should stay on ^(this track.) ~~this course. That it has been charted.~~

Let me turn now to some of the specific provisions in the bill which I believe would ^{REQUIRE} ~~support~~ a veto decision even if there were no ^{SUBSTANTIAL} philosophical disagreement on how best to involve the Federal Government in the process of economic recovery.

Title I of the bill would authorize \$2.5 billion for accelerated public works projects. Priority would be given to local governments and to areas with high levels of unemployment. This title has several major shortcomings:

- It would increase the Federal deficit for 1977 by an estimated \$1 billion and the deficit for 1978 an estimated \$1.2 billion, by increasing spending at a time when we already spend an estimated \$18 billion annually on public works projects.
- It would have its peak impact in 1977 and 1978; providing inflationary forces at a point when we should be well into our recovery phase.
- It would fund 100% of the costs of projects, thus reducing the incentive for local governments to consider their proposal in the proper light of local priorities.
- It would force the Federal government to make a funding decision in every case within 60-days, a provision grossly unfair both to the agency involved and to local governments applying for grants.
- It would create a large, unwieldy categorical grant program which would tend to favor local jurisdictions equipped to develop proposals quickly, irrespective of merit, at a time when we are trying to return greater funding decision authority to local levels of government.

Title II of the bill would authorize five calendar quarters of so-called counter-cyclical revenue sharing funds to state and local governments while unemployment stayed above 6% nationally. Funds for maintenance of basic services would be distributed to local jurisdictions ^{on} ~~in~~ a combined basis of unemployment and local tax effort. This ~~program~~ ^{proposal} has several serious problems:

- It would add \$1.5 billion to the Federal deficit over five quarters (assuming a 7.5% rate of unemployment)
- It would not provide to local governments the budget planning certainties so important to them which are contained in the Administration-supported general revenue sharing legislation.



- It would provide grants as small as \$250, thus creating a wasteful administrative ~~hinder~~ burden.
- It would undermine strong current incentives on the part of responsible local governments to accumulate budgetary surpluses in "good" years to help offset the effects of poorer years.

. It would not satisfactorily differentiate between communities on the basis of tax effort or tax structure, thus providing funds to some communities which had acted fiscally irresponsibly and denying funds to some communities which had acted with prudence.

Title III of the bill is a conglomeration of items which would give the Economic Development Administration (EDA) in the Commerce Department authority to pay interest subsidies to private borrowers and to give new assistance grants to cities of 50,000 or more. This title would also authorize \$500 million for the extension of the job Opportunities program and encourage its joint utilization with Title I projects. Finally this title would authorize a \$1.4 billion increase in EPA's wastewater treatment plants. There are numerous problems with Title III:

- The interest subsidy program would be very difficult to manage fairly, it would have little effect on reducing unemployment, and it would create a bad precedent for Federal intervention.
- The grants to cities over 50,000 provision would bring EDA into a new, potentially expensive, and generally undesirable urban development role.
- The Job Opportunities provision is a costly and inefficient means of creating temporary jobs.
- The wastewater treatment provision would add additional funds to a program which already has \$10 billion to spend. If the Congress is not satisfied with the current funding allocation formula, it should change that formula directly instead of adding new funds for certain jurisdictions.

In summation, I think we need to recognize this program for what it is --a poorly conceived ^{TRANSITORY} public employment program, an unneeded and wasteful public works program, and an undesired admixture of poor precedents ^{and categorical initiatives}.

Finally, its sponsors' claims of the creation of 600,000 to 800,000 jobs simply do not stand up to scrutiny. A much more realistic experienced based estimate would indicate ^{to} is more than 250,000 jobs over

5 years, with a peak impact of only 100,000 to 120,000 jobs.

again adhere to a sound econ policy
I offer as an alternative ~~the swift passage of my economic initiatives~~
continuous executive assistance for how to arrange as that
~~which are designed~~ to keep the county on its current course of

steady and permanent economic recovery. Similarly, I repeat my call
for early action on General Revenue Sharing legislation which properly
places public works and financial planning responsibility where it
belongs -- in the hands of state and local elected officials.

[Feb 19, 1976]

THE WHITE HOUSE

GVA

stultate

- NS

everywhere



1-2



VP

up

jobs - put water



2/10/76

A BILL

To provide supplementary community development block grant assistance to communities with high unemployment due to adverse national economic conditions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Community Development Anti-Recession Assistance Act of 1976".

SEC. 2. (a) The Congress finds --

- (1) that many of the Nation's cities and other communities, whose economic health is essential to national economic prosperity, are experiencing considerable hardships due to high unemployment resulting from recession; and
 - (2) that the existing community development block grant program can provide an effective mechanism to increase significantly private sector employment while fostering community development in such communities.
- (b) Therefore, the Congress declares it to be the policy of the United States and the purpose of



this Act to reduce unemployment by encouraging locally determined community development activities carried out by cities and other communities with high unemployment due to adverse national economic conditions. It is the intention of Congress that the provision of assistance under this Act shall not result in the reduction of assistance under title I of the Housing and Community Development Act of 1974, or any other law.

SEC. 3. Title I of the Housing and Community Development Act of 1974, P. L. 93-383, is amended by adding at the end thereof the following new section:

"SUPPLEMENTARY COMMUNITY
DEVELOPMENT BLOCK GRANTS

"SEC. 119. (a)(1) In addition to the assistance otherwise authorized under this title, the Secretary is authorized to make grants to any State, metropolitan city or urban county which meets the requirements of this section, to finance community development activities which are approved by the Secretary as consistent with the objectives of this title. There are hereby authorized to be appropriated such sums as may

be necessary, in view of current and anticipated national unemployment trends, to carry out the provisions of this section. Any amounts so appropriated shall remain available until expended.

"(2) Notwithstanding any amounts appropriated pursuant to paragraph (1) of this subsection, the total of all grants approved under this section with respect to any calendar quarter shall be equal to the lesser of any amounts so appropriated which remain uncommitted, or \$15 million multiplied by the number of one-tenth percentage points by which the rate of seasonally adjusted national unemployment for the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter exceeded 7 per centum.

"(b)(1) Of the amount available pursuant to subsection (a) for grants under this section with respect to any calendar quarter, 75 per centum shall be allocated by the Secretary to

metropolitan cities and urban counties, except that the Secretary may establish such higher or lower percentage as the Secretary deems appropriate in view of unemployment and related factors in such metropolitan cities and urban counties. From the amount allocated under the preceding sentence with respect to any calendar quarter, the Secretary shall determine, for each metropolitan city and urban county which has a seasonally adjusted unemployment rate in excess of 8 per centum for the most recent calendar quarter which

ended 3 months before the beginning of such calendar quarter, a supplementary grant amount which shall equal an amount which bears the same ratio to the total allocation with respect to the calendar quarter under the preceding sentence as the ratio of (A) the number of unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in such metropolitan city or urban county during the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter to (B) the number of unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in all such metropolitan cities and urban counties during the same calendar quarter. For purposes of determining grant allocations under this

paragraph, the Secretary shall utilize appropriate unemployment data, as determined by the Secretary of Labor and reported to the Secretary.

"(2)(A) After making the allocation with respect to any calendar quarter required pursuant to paragraph (1), the Secretary shall allocate the amount remaining with respect to such calendar quarter for grants under this section to States on behalf of units of general local government in such State, other than metropolitan cities and urban counties therein, which are experiencing high rates of unemployment and serious fiscal problems as a result of adverse economic conditions. From the amount allocated under the preceding sentence with respect to any calendar quarter, the Secretary shall determine, for each State which is eligible for assistance under the preceding sentence, a grant amount which shall equal an amount which bears the same ratio to

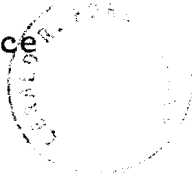
the allocation with respect to the calendar quarter under the preceding sentence as the ratio of (i) the number of unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in such State, excluding unemployed persons in metropolitan cities and urban counties therein, during the most recent calendar quarter which ended 3 months before the beginning of such calendar quarter to (ii) the number of such unemployed persons in excess of the number of unemployed persons which represents 8 per centum unemployment in all such States, excluding unemployed persons in all metropolitan cities and urban counties therein, during the same calendar quarter.

"(B) Any grant allocated to a State under this paragraph shall be used, or distributed by such State for use in or for the benefit of units of general local government, other than metropolitan cities and urban counties therein, which are experiencing high rates of unemployment and serious fiscal problems on a basis consistent with the purpose of

this section and criteria thereunder prescribed by the Secretary.

"(C) For purposes of determining grant allocations under this paragraph, the Secretary shall utilize appropriate unemployment data, as determined by the Secretary of Labor and reported to the Secretary, except that, in the event such unemployment data are unavailable for any recipient, the best available unemployment data for such recipient, consistent with criteria determined by the Secretary, shall be utilized.

"(c)(1) Notwithstanding any other provision of this title relating to requirements for contents of applications for assistance, any metropolitan city or urban county which has been allocated supplementary grant assistance under subsection (b)(1) with respect to any calendar quarter shall be entitled to receive the amount of assistance so allocated if it has submitted to the Secretary an application as prescribed by the Secretary which --



"(A) outlines the proposed use or uses of the assistance and the benefits to the community of such use or uses, particularly in terms of reducing unemployment through creation of jobs in the private sector;

"(B) in the case of a metropolitan city or urban county receiving assistance under any provision of this title other than this section, demonstrates how the proposed use or uses would contribute to achievement of the objectives of the recipient's Community Development Program;

"(C) in the case of a metropolitan city or urban county which is not receiving such assistance, complies with those provisions of section 104 of this title which pertain to requirements for contents of applications for assistance; and

"(D) requests assistance in an amount, which together with other resources that

may be available, will be adequate to complete the proposed activity or activities.

"(2) Any application submitted pursuant to subsection (c)(1) by a metropolitan city or urban county receiving assistance under any section of this title other than this section, shall be deemed approved within 45 days after receipt of such application unless the Secretary shall have informed the applicant within such period of specific reasons for disapproval and the actions necessary to secure approval. Any other application shall be deemed approved within 75 days after receipt of such application unless the Secretary shall have informed the applicant within such period of specific reasons for disapproval and the actions necessary to secure approval. The Secretary shall approve an application for assistance allocated under this section unless the Secretary determines that the proposed use or uses of such assistance are plainly inappropriate to meeting the purpose of this section, or that the application does not comply with the requirements of this section or proposes activities which are ineligible

under this section.

"(3) Any State allocated grant assistance with respect to any calendar quarter under subsection (b)(2) shall be entitled to receive such assistance promptly after complying with such application requirements as the Secretary may prescribe, consistent with requirements applicable under paragraph (1) of this subsection or otherwise deemed appropriate by the Secretary to assure achievement of the purpose of assistance under this section.

"(d) Assistance under this section may be used by the recipient thereof for any activity eligible for assistance under section 105(a) of this title, except that up to 10 per centum of the amount allocated to any recipient with respect to any calendar quarter may be used for such other activity or activities as may be deemed by the Secretary to be consistent with the objectives of this title and assistance under this section, respectively.

"(e) Except where otherwise provided in this section, assistance under this section shall be subject to all of the requirements and provisions of this title.

"(f) The Secretary is authorized to prescribe such rules and regulations, and to take such steps

as may be necessary, to assure the prompt implementation of the assistance program authorized under this section with respect to any calendar quarter, commencing with the calendar quarter beginning on April 1, 1976, with respect to which assistance is allocated hereunder.

"(g) No assistance under this section may be approved by the Secretary with respect to any calendar quarter after the calendar quarter which ends on March 31, 1978.

"(h) Any funds allocated under subsection (b)(1) of this section which remain uncommitted at the end of the calendar quarter following the calendar quarter with respect to which such funds were allocated because of the failure of a metropolitan city or urban county to apply for such assistance or otherwise to comply with this section shall be added to the funds available for allocation to States under subsection (b)(2) with respect to the same calendar quarter for which the funds were initially allocated. Any funds allocated under subsection(b)(2) of this section with respect to a State which remain

uncommitted at the end of the calendar quarter following the calendar quarter with respect to which such funds were allocated because of the failure of such State to apply for such assistance or otherwise to comply with this section shall revert to the United States Treasury, except that any funds reallocated for allocation to States under the preceding sentence shall revert to the Treasury only if such funds remain uncommitted at the end of the third calendar quarter following the calendar quarter with respect to which such funds were initially allocated under subsection (b)(1)."



THE VICE PRESIDENT
WASHINGTON

February 10, 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: HR 5247 - *Thoughts for Veto Message*

1. You share the deep concern of the Congress for those who still remain unemployed: ~~2,100,000~~ *2,100,000*

- despite the steady pick-up of the economy; and
- the 2,100,000 jobs that have already been restored by private enterprise without cost to the taxpayer.

2. But you disagree fundamentally with the method that the Congress is proposing, for two reasons:

- A. that the plan will not begin to take significant effect until 1977; and,
- B. it would be counterproductive in that
 - it runs the danger of restimulating inflation; and,
 - it will make people more dependent on government rather than on dynamic economic growth.

3. Therefore I recommend you veto HR 5247, but in your veto message:

- A. urge the Congress to enact the HUD alternative, which will provide jobs now in one of the highest areas of unemployment - home construction
 - which is desperately needed, and which
 - will be an important stimulus to basic industry affecting the strength of our economy;



B. urge the passage of the Energy Independence Authority, a self-liquidating investment by government, acting as a catalyst to private enterprise to:

- achieve energy self-sufficiency for the Nation, and to
- produce 1,200,000 jobs directly, which
 - will revitalize the economy, and
 - protect our national security

4. This is the time for bold action.





THE VICE PRESIDENT
WASHINGTON

February 10, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT *WJR*

SUBJECT: HR 5247 (\$6 Billion Categorical Grant
Public Works Bill): HUD Community
Development Block Grant Alternative

Here are my reactions to the HUD alternative (attached):

1. The strategy is excellent.
 - a. HR 5247 will cost a budget-busting \$6 billion;
 - b. Your veto, if you use it, will probably be overridden;
 - c. But an alternative Administration proposal
 - (1) Could reduce the margin;
 - (2) Show the country that your Administration does have a creative, responsive, and positive plan to deal with
 - unemployment
 - urban problems.
2. The time to move is now.
 - a. In your State of the Union and Budget Messages, you again made clear to the country your attitude towards spending and your belief in fiscal responsibility;
 - b. But there is still a need for the Administration to emphasize that it cares about and can do something about the human problems and human needs caused by unemployment.

ORIGINAL RETIRED FOR PRESERVATION



3. Compared with HR 5247, the HUD alternative:

a. Produces more jobs, sooner, at less cost;

- (1) 38,000 in the first quarter, at an annual cost of \$780 million;
- (2) while HR 5247 would produce only 28,000 in the same period, but at a total annual cost of \$6 billion;
- (3) true, HR 5247 would eventually produce a total of 198,000 jobs, but only by the time the expected economic recovery is well underway;
- (4) in fact, the delayed inflationary impact of the cost of HR 5247's 198,000 jobs could jeopardize the very economic recovery those jobs are designed to help;

-- a case of too much, too late, at too great a cost;

b. Produces real jobs, mainly in the private sector, not dead-end public works jobs;

c. Produces jobs where they are needed;

- (1) 75% of funds to cities of 50,000 plus with 8% unemployment;
- (2) 25% to states with 8% unemployment for use outside cities of 50,000;

d. Produces jobs when they are needed;

- (1) triggered when nation-wide unemployment reaches 7%;
- (2) but phased out as the employment conditions in cities improve and, nationally, when unemployment drops below 7% (expected in early 1977);



e. Produces jobs without exceeding the \$395 billion budget limit;

- because the cost of the borrowing necessary to finance the program will decrease as economic conditions improve;

f. Produces jobs without setting up a new system of categorical grants;

- instead, the HUD alternative would continue to channel money into existing community-development block-grant programs, thus reinforcing their objectives of:

- (1) attracting and keeping industry;
- (2) stabilizing and improving declining neighborhoods.

- and thereby:

- (1) reduce start-up time;
- (2) keep administrative costs low;
- (3) keep priority-setting where it belongs, at the state and local level.

Attachments

- HUD Alternative and Executive Summary

TAB A
(SUMMARY)

EXECUTIVE SUMMARY

The purpose of this memorandum is to provide a brief discussion of H.R. 5247 and to outline the advantages of a community development block grant substitute for the enrolled enactment.

I. Summary of Description and Weaknesses of H.R. 5247

Title I. Provides a FY 1977 authorization of \$2.5 billion for 100% federal grants for local public works projects, thereby replacing careful local project selection with grantsmanship.

Title II. Provides for temporary grants to State and local governments to help them maintain basic municipal services. The estimated cost is \$1.5 billion over the next 15 months. The program is triggered by the national unemployment rate exceeding 6%. Because local fund allocations would be based in part on local taxes raised, cities and States would receive aid based on what they spend, creating incentives to greater expenditures.

Title III. Provides (1) \$1.4 billion in FY 1977 funds for EPA's wastewater treatment grants, (2) an extension, \$500 million authorization and modification of the Job Opportunities program, (3) interest subsidies on EDA loans to businesses, and (4) additional EDA grant and loan authority which would effectively make EDA an Urban Renewal Agency.

Only a small proportion of the over \$6 billion cost of H.R. 5247 would be available, in the short term, to create local jobs.

II. Proposed Alternative to H.R. 5247

A. Program Description

Under HUD's proposal funds would be provided primarily to cities with more than 50,000 population, since they were the hardest hit by the recent recession and will be slowest to recover. The HUD proposal seeks to create private sector jobs in areas of excessively high unemployment.* This temporary assistance, which dove-tails with the President's philosophy that economic growth is best produced through the private sector, will help revitalize these very depressed areas so that they may participate in the national recovery.

* East St. Louis	- 18%	Pontiac	- 30%	Niagara Falls	- 18%
Flint	- 19%	Camden	- 16%	Providence	- 17%
Detroit	- 22%	Buffalo	- 17%	Laredo	- 20%



The program would be activated only when the national unemployment rate is over 7%, and \$15 million per quarter would be available for each .1% by which unemployment exceeds 7%. At the present 8.3% rate of unemployment (1.3% above 7%) funds would be provided in the amount of \$195 million per quarter, or \$780 million per year.

Assistance would be provided only to cities with unemployment over 8% based on the extent to which the city's unemployment exceeds 8%. (See attached table for examples.)

Twenty-five percent of the funds would be distributed to states with unemployment over 8% to use in areas outside cities of 50,000.

B. Program Administration

Grants would flow into their community development program, subject to the same statutory standards as community development block grants. To participate, the city would submit a brief statement of its planned use of the funding, referencing its HUD-approved community development application.

C. Advantages

- (1) The measure provides emergency relief only to those local governments with high unemployment.
- (2) Cities which experience improved employment conditions will have their own supplemental funding reduced quarterly.
- (3) The program phases out automatically when the national unemployment rate drops below 7%, which is predicted to occur in early 1977.
- (4) Directing supplementary funding into local community development programs is responsive to the special problems of the cities. In addition to stimulating the local economy with "new" money, the supplement will allow the recipients to attract and keep industry and stabilize and improve declining neighborhoods. These activities should create private sector jobs and improve the local economy.



- (5) Most of the funds would be spent on activities which create jobs in the private sector rather than creating long term obligations for financially strapped local governments by swelling public payrolls.
- (6) The HUD proposal, at a cost of \$780 million, will create at least 38,000 jobs during the first quarter after implementation and another 25,000 within the next 6 months. In contrast, H.R. 5247, at a total cost of over \$6 billion, would produce 28,000 jobs during the first quarter after implementation. Ultimately, H.R. 5247 would create up to 198,000 additional jobs, but only long after the program was implemented and the stimulus needed.
- (7) Use of the existing block grant administrative structure at the Federal and local level reduces start-up time and administrative costs; requires local priority-setting which would be lost under the categorical programs in H.R. 5247; and avoids the disruption which often occurs when Federal funds are discontinued.
- (8) As the economy continues to recover and interest rates fall, the cost of government borrowing will decrease and the Administration can remain within its budget target of \$395 billion.
- (9) The \$6 billion public works/public employment bill now before you passed the House by a clear veto override margin. Availability of a far less costly and programmatically sounder Administration alternative could provide the margin to sustain a veto.
- (10) Proposing an alternative, even if it is unsuccessful and the veto is overridden, shows that the Administration is concerned about and looking for ways to help urban centers with high unemployment.



	Allocation under \$10 million per 1/10% formula (\$ mill.)	Allocation under \$15 million per 1/10% formula (\$ mill.)	Allocation under formula in Title II of HR 5247 (\$ mill.)	CDBG Allocation FY 1975 (\$ mill.)	Unemployment Percent	No.	Unemploy- ment over 8%
New York	51.4	77.1	137.8	102.2	10.5%	351,000	117,000
Los Angeles	20.8	31.2	20.3	38.6	10.7	134,000	46,000
Chicago	9.8	14.7	18.6	43.2	9.1	132,000	31,000
Detroit	50.6	75.9	38.0	34.2	21.6	131,000	88,000
Philadelphia	14.9	22.4	21.5	60.8	11.0	89,000	32,000
Baltimore	6.2	9.3	5.2	32.7	10.7	40,000	13,000
San Francisco	5.4	8.1	10.5	28.8	10.5	37,000	12,000
Boston	8.3	12.5	16.0	32.1	12.8	36,000	16,000
San Diego	4.6	6.9	2.9	9.1	10.4	32,000	11,000
St. Louis	7.5	11.3	8.6	15.2	12.9	32,000	15,000
Buffalo	9.6	14.4	6.6	11.7	16.5	30,000	17,000
Milwaukee	2.7	4.1	2.5	13.4	9.4	29,000	7,500
Cleveland	2.8	4.2	3.2	16.1	9.5	29,000	7,600
Atlanta	6.3	9.5	3.6	18.8	12.7	28,000	13,000
Indianapolis	1.0	1.5	2.8	13.9	8.5	27,000	4,700
Phoenix	3.4	5.1	2.5	2.6	10.3	25,000	8,000
Seattle	0.9	1.4	2.0	11.6	8.6	21,000	4,000.
Kansas City, Mo.	2.0	3.0	3.4	17.9	9.5	21,000	5,600
New Orleans	2.0	3.0	3.0	14.8	9.5	21,000	5,600
Pittsburgh	2.5	3.8	2.7	16.4	10.0	20,000	6,100

BASIC
PROPOSAL

I. Description of H.R. 5247

The bill has three titles.

Title I. Provides for 100% federal grants for local public works projects, with a FY 1977 authorization of \$2.5 billion.

Title II. Provides for anti-recession grants to State and local governments to help them maintain basic municipal services in the face of the falling revenues and rising costs attributable to recession. The estimated cost is \$1.5 billion over the next 15 months. The program would be triggered by the national unemployment rate exceeding 6% and the level of funding would increase with the unemployment rate. The allocation of funds is governed by a complex statutory allocation formula based on unemployment rates and taxes raised by the recipient.

Title III. Provides (1) \$1.4 billion in FY 1977 funds for EPA's wastewater treatment grants, (2) an extension, \$500 million authorization and modification of the Job Opportunities program, (3) interest subsidies on EDA loans to businesses, and (4) additional EDA grant and loan authority which would effectively make EDA an Urban Renewal Agency. The estimated potential cost of this Title is over \$6 billion, of which \$675 million would be for FY 1976.

H.R. 5247 in its present form has many weaknesses. It addresses the cyclical problems of state and local governments just at the time when those problems are beginning to abate for most states and smaller communities. Most State and local governments are emerging from the recession, and, as is typical in economic recoveries, their revenue increases now are outrunning their expenditure increases. Only a relatively small proportion of the enormous overall cost of H.R. 5247 would be available in the short-term to provide the assistance which local governments are seeking to help them cope with the effects of temporarily high levels of unemployment. Titles I and III of the enrolled enactment would require continuing expenditures in calendar year 1978 and beyond regardless of the condition of the economy and would saddle local governments with political pressure to maintain newly-hired employees on the public payroll.



Title I, in particular, suffers from this defect, since it provides funds for public works which will be utilized, given lead times for such projects, in years when the economic recovery is much stronger and when the projects could be inflationary. Title I's provision for 100% federal grants also eliminates incentives for recipients to carefully select and monitor proposed projects or to weigh the value of the project against competing local priorities. Finally, Title I is in effect a categorical public works program, introduced when the Administration had been consolidating such programs.

Title II, which is a public service employment program, bases its fund allocations in part on the basis of taxes raised locally, which means cities and States receive aid based on what they spend, not what they need. More funds would be provided to those local governments with higher tax bases, including many which plan to run surpluses in 1976, and to those which have been least efficient in holding down costs. Title II could also encourage escalation in local public employee wage settlements, since in effect part of the cost would be paid by the Federal government, as long as the overall unemployment rate remains above 6%. Nor is there any workable mechanism in the bill to ensure that State and local governments, as intended, will spend the money either to create useful and substantial jobs, or to prevent layoffs of essential public employees and maintain the current level of public services. Such public service employment programs often merely substitute federally funded employment for jobs that would have been funded by local revenues anyway, thus adding few net jobs. This may result partially from the limited capacity of local government to rapidly absorb new employees. Finally, it is often extremely difficult to terminate a public service employment program when the need for it is over, since termination could mean politically explosive layoffs of public employees.

Title III has some of the same weaknesses as Title I. It is a categorical program very similar to prior such programs, which have proven ineffective. The EDA amendments envision a program strikingly similar to Urban Renewal which was terminated because it was devastatingly harmful to the social and economic fabric of cities, and was consolidated into the Community Development Block Grant program, which provides a better means of assisting the cities.



Title III also subverts the purpose of EDA both program-matically and geographically. EDA's role is to provide development assistance to those regions and communities which have chronic unemployment resulting from the lack of economic infrastructure, not as a result of a temporal recession. Hence, EDA's attention would be directed away from its historical constituency of rural communities, which are undergoing financial problems as a result of the recession, to a very different urban clientele.

While H.R. 5247 is deficient in many respects, it does attempt to address, albeit in a confused and inadequate fashion, a major problem of many local governments, particularly large cities. While general economic recovery will aid state and local governments in balancing their budgets and in continuing to provide services, there are still many cities which have been hard hit by the recession and which will be particularly slow to emerge from it. These are cities which suffer from economic decline generally, hence were especially vulnerable to the effects of the recent recession, which superimposed cyclical fiscal problems upon their long-term economic problems. This has created fiscal difficulties on a continuing basis and trapped these cities in a vicious cycle in which they must either raise taxes or reduce services, in either case exacerbating the economic decline which originally generated the fiscal problems.

These cities are typically older, larger central cities, particularly in the Northeast and Midwest, although there are an increasing number of cities in the West and South with such characteristics. These cities generally have been losing both middle income population and private employment, have large poverty populations and are small relative to their suburban areas. They face higher per capita costs of providing services to a population which increasingly needs their services, but which cannot generate the required tax revenues.



II. Proposed Alternative to H.R. 5247

A. Program Description

HUD's proposed assistance program is based on the concept of providing temporary financial assistance to those local governments which most need it, when their already serious fiscal problems are exacerbated by a recession.

B. Recipients

Funds would be provided only to cities with more than 50,000 population, since these are the cities which face the most severe fiscal problems on both a short-term and long-term basis. Small units of government would be funded through the states because of the administrative problems of our determining their relative needs.

C. Trigger and Allocation Formula

The program would be activated only when the national unemployment rate was over 7% for a calendar quarter. At that time, funds would be provided for the following four calendar quarters only in those large cities which have unemployment rates at or above 8%. These cities would receive a pro-rata share of \$10 million per quarter, for each .1% that the national unemployment rate exceeded 7%. For example, the unemployment rate for the fourth quarter of 1975 was 8.3%. Funds would be provided, beginning in the second quarter of 1976, in the amount of \$130 million per quarter, or \$520 million per year, for as long as the unemployment rate remained at 8.3% (1.3% above the 7% trigger). Each city with an unemployment rate at or above 8% would receive funds in direct proportion to its share of the total number of persons unemployed above 8%. If the national unemployment rate falls to 8.0% in the first quarter of 1976, then the funds to be allocated would be reduced to \$100 million per quarter or \$400 million per year, beginning in the third quarter of 1976.



In the alternative, funding could be provided at the rate of \$15 million per quarter, for each .1% that the national unemployment rate exceeded 7%. Under this alternative, funds would be provided, beginning in the second quarter of 1976, in the amount of \$195 million per quarter, or \$780 million per year, for as long as the national unemployment rate remained at 8.3% (1.3% above the 7% trigger). Each city with an unemployment rate at or above 8% would receive, at this higher funding level, the same proportion of funds available as it would receive at the lower funding level. If the national unemployment rate falls to 8.0% in the first quarter of 1976, then the funds to be allocated at this higher level of funding would be reduced to \$150 million per quarter, or \$600 million per year, beginning in the third quarter of 1976.

Individual cities would become eligible under either formula for funds on a quarterly basis and receive funding only while their unemployment rates were above 8%. Thus, as the economy improves, the total amount of funds available, and the number of cities receiving funds, would decline from quarter to quarter.

A fund equaling 25% of the funds available in any quarter would be distributed to states with an unemployment rate of over 8% in areas lying outside cities of 50,000. The states would be required to distribute those funds to communities of under 50,000 with unemployment rates (using locally derived estimates) of over 8% and suffering serious fiscal problems.

D. Program Administration

These assistance grants would be administered with a minimum of additional Federal or local bureaucratic expense by using an existing administrative structure. Virtually all cities who would be potentially eligible for assistance under this program are already operating community development and housing programs under the Housing and Community Development Act of 1974. The Community Development Block Grant Program requires recipients to develop a comprehensive three-year plan and an annual application for funds, which is reviewed and monitored by the Department of Housing and Urban Development. In addition, each recipient has an on-going planning and management structure to operate its programs.

Grants made each quarter to eligible cities would flow into their community development program, subject to the same statutory and regulatory constraints as the regular block grant program. Each quarter, cities would be notified of their eligibility for emergency stipend. In order to receive the funds, the city would submit a brief statement of its planned use of that quarter's funding, simply referencing its HUD-approved community development application. Activities (as in the Community Development Block Grant discretionary program) must be those which can be completed with this temporary bi-annual grant or other identifiable available funds (including Community Development Block Grants). Their next annual application and performance report for block grant funds would explain how the additional funds were utilized, either through an acceleration or augmentation of activities already planned, or, in some instances, in additional community development activity which had not previously received support because of a lack of funds. Post hoc Federal audit and monitoring of grant expenditures would be a part of HUD's routine administration of the block grant program.

E. Advantages

This proposal has several fundamental advantages:

- (1) It is focused both geographically and temporarily on specific, severe urban problems. It is a measure to provide emergency relief only to those local governments with high unemployment, who are having a particularly hard time recovering from the recession. Unemployment is a reasonable and accessible means of identifying cities facing such serious fiscal problems.
- (2) The proposal is aimed at cities with continuing and systemic economic problems which make their participation in the general economic recovery most difficult. Individual cities which experience economic recovery and improved employment conditions before the program phases out will have their own supplemental funding reduced or eliminated as their economic condition improves.



- (3) The national economic recovery anticipated in 1976 and 1977 will phase the entire program out automatically as the national unemployment rate drops below 7%.
- (4) The program is inherently temporary; it carries no implication of being a continuing "entitlement," and by its quarterly allocation of funds mitigates against any long-term reliance on or anticipation of future funding.
- (5) Directing supplementary funding into community development programs at the local level is responsive to the special problems of these cities. In addition to stimulating the local economy with "new" money, the supplement will allow the recipients to accelerate community development activities and meet needs which are all the more pressing because of local unemployment and lagging municipal revenues. For example, they can undertake economic development initiatives to attract and keep industry, stabilize and preserve declining neighborhoods which threaten to become even larger public burdens, and rehabilitate existing housing stock for improved living conditions for residents. All of these activities treat the economic base deficiencies which are at the root of most urban problems, and should contribute to overall recovery in those cities which tend to fall into recession more deeply, and to come out of it more slowly.
- (6) Unlike the pending legislation, however, it should not encourage additional local government spending by basing the allocation formula on local fiscal effort or local taxes.
- (7) The higher trigger will allow an earlier phase-out and the lower level of funding envisioned will result in far lower costs than the pending legislation.



- (8) Use of the existing Community Development Block Grant administrative structure at the Federal and local level also contributes to the attractiveness of this proposal. First, it is cost-effective and efficient in that virtually all appropriations for the program will go directly to recipient governments for community development efforts already planned, thus greatly reducing start-up time and administrative costs and increasing the city's capacity to absorb and use its incremental funds. Second, the Community Development mechanism provides the recipient community with the ability to weigh competing priorities and the responsibility to carefully assess potential uses for their Federal funds. Third, by avoiding the creation of a new bureaucracy at the Federal or local level, it minimizes start-up costs or delays, preserves the temporary character of the program, and avoids the problem of disruption which often occurs when Federal funds are discontinued.
- (9) The Community Development program already has an administrative infrastructure, at the Federal and local level, to assure compliance with other related Federal laws, such as National Environmental Protection Agency, relocation and anti-discrimination provisions.
- (10) The Community Development Block Grant Program was conceived and designed to meet the needs of our urban areas while learning from the mistakes of the old categorical programs. By building on this on-going program, the proposed supplementary grant can take advantage of those elements which make it a sound urban program. The wide scope of eligible activities and the broad discretion allowed recipients in setting local priorities makes it easy for cities to make effective use of the funds.

- (11) Based on our experience with the Community Development program, a very high percentage of the funds would be spent on activities which provide jobs in the private sector rather than creating long-term obligations for financially strapped local governments by swelling public payrolls.
- (12) If, as presently anticipated, the economy continues to recover and interest rates fall, the cost of government borrowing would decrease and the Administration could remain within its budget target of \$395 billion.

APPENDIX

The table shows approximate amounts which would be allocated under the proposed formula, for the 20 cities receiving the largest awards. The figures are based on first quarter 1975 U.S. Department of Labor unemployment figures and on 1970 Census labor force totals for the cities over 50,000 population with 8% or more unemployment. If the proposed legislation were enacted, current labor force data would be used, so the actual grant amounts would differ slightly from the figures in the table. A total of 243 cities would be eligible for aid.

	Allocation under \$10 million per 1/10% formula (\$ mill.)	Allocation under \$15 million per 1/10% formula (\$ mill.)	Allocation under formula in Title II of HR 5247 (\$ mill.)	CDBG Allocation FY 1975 (\$ mill.)	Unemployment Percent	No.	Unemploy- ment over 8%	
New York	51.4	77.1	137.8	102.2	10.5%	351,000	117,000	1:2.5 1:1.8
Los Angeles	20.8	31.2	20.3	38.6	10.7	134,000	46,000	1:6.5 1:2.3
Chicago	9.8	14.7	18.6	43.2	9.1	132,000	31,000	" 1:1.6
Detroit	50.6	75.9	38.0	34.2	21.6	131,000	88,000	1:2.3 1:2.2
Philadelphia	14.9	22.4	21.5	60.8	11.0	89,000	32,000	1:4.5 1:1.5
Baltimore	6.2	9.3	5.2	32.7	10.7	40,000	13,000	1:8 1:2.6
San Francisco	5.4	8.1	10.5	28.8	10.5	37,000	12,000	1:3.7 1:1.2
Boston	8.3	12.5	16.0	32.1	12.8	36,000	16,000	1:2.2 1:1
San Diego	4.6	6.9	2.9	9.1	10.4	32,000	11,000	1:11 1:3.7
St. Louis	7.5	11.3	8.6	15.2	12.9	32,000	15,000	1:1.9
Buffalo	9.6	14.4	6.6	11.7	16.5	30,000	17,000	1:1.5
Milwaukee	2.7	4.1	2.5	13.4	9.4	29,000	7,500	
Cleveland	2.8	4.2	3.2	16.1	9.5	29,000	7,600	
Atlanta	6.3	9.5	3.6	18.8	12.7	28,000	13,000	1:3.1
Indianapolis	1.0	1.5	2.8	13.9	8.5	27,000	4,700	
Phoenix	3.4	5.1	2.5	2.6	10.3	25,000	8,000	1:10 1:3.2
Seattle	0.9	1.4	2.0	11.6	8.6	21,000	4,000	
Kansas City, Mo.	2.0	3.0	3.4	17.9	9.5	21,000	5,600	
New Orleans	2.0	3.0	3.0	14.8	9.5	21,000	5,600	
Pittsburgh	2.5	3.8	2.7	16.4	10.0	20,000	6,100	

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