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810/1/76

APPROVED
OCT 1 - 1976

ACTION

THE WHITE HOUSE
WASHINGTON
September 30, 1976

Last Day: October 8

Statement
issued 10/2/76

Posted
10/2/76

Archives
10/4/76

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON



SUBJECT:

H.R. 15194 - Public Works
Employment Appropriations Act

Attached for your consideration is H.R. 15194, sponsored by Representative Mahon.

The enrolled bill appropriates a total of \$3,732,433,000 in new budget authority for certain activities of the Department of Commerce (Economic Development Administration), the Department of the Treasury (Office of Revenue Sharing), and the Environmental Protection Agency.

A detailed discussion of the provisions of the enrolled bill is provided in Jim Lynn's memorandum at Tab A.

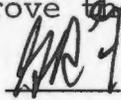
OMB, Max Friedersdorf, Counsel's Office (Kilberg), Bill Seidman and I recommend that you sign H.R. 15194 and issue the attached signing statement which has been cleared by the White House Editorial Office (Smith).

RECOMMENDATION

That you sign H.R. 15194 at Tab B.

That you approve the signing statement at Tab C.

Approve



Disapprove _____



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 30 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 15194 - Public Works
Employment Appropriations Act
Sponsor - Rep. Mahon (D), Texas

Last Day for Action

October 8, 1976 - Friday

Purpose

Appropriates a total of \$3,732,433,000 in new budget authority for certain activities of the Department of Commerce (Economic Development Administration), the Department of the Treasury (Office of Revenue Sharing), and the Environmental Protection Agency.

Agency Recommendations

Office of Management and Budget	Approval (draft signing statement attached)
Department of Commerce	Approval (views letter attached)
Department of the Treasury	No recommendation (views letter attached)
Council of Economic Advisers	Disapproval (views letter attached)
Department of Housing and Urban Development	Disapproval (views letter attached)
Department of Labor	Approval (views letter attached)
Environmental Protection Agency	No objection (informally)

Discussion

The enrolled bill provides funds authorized by the Public Works Employment Act of 1976 which you vetoed on July 6, 1976. The Congress subsequently overturned your veto and passed this bill which provides funding as follows:

(in thousands of dollars)

<u>Agency/activity</u>	<u>Amount in enrolled bill</u>
Department of Commerce:	
Economic Development Administration:	
Local public works.....	2,000,000
Department of the Treasury:	
Office of Revenue Sharing:	
Antirecession financial assistance fund....	1,250,000
Salaries and expenses.....	1,633
Environmental Protection Agency:	
Construction grants.....	480,000
Abatement and Control.....	<u>800</u>
Total.....	3,732,433

The estimated effect on outlays of the funding contained in this bill is as follows:

(in millions of dollars)

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>later years</u>
+2,082	+900	+320	+430

The intent of the Congress in passing this bill--as stated in the reports of the appropriations committees accompanying the bill--is "to provide economic stimulus in those geographic areas experiencing high levels of unemployment." Towards this objective, the Congress has included funds for the following programs:

Local Public Works Projects

The enrolled bill contains \$2.0 billion for a new program--to be administered by the Department of Commerce--to provide Federal grants to State and local governments to cover 100 percent of the costs of constructing, repairing, or

renovating public works projects. Grants would also be made to cover the State and local share of other federally assisted public works projects or the State or local share of public works projects authorized under State or local laws.

At least 70 percent of these funds would have to go to areas having unemployment rates in excess of the national average, but not less than one-half of one percent nor more than 12.5 percent could go to any one State. Priority would be accorded projects of local governments. The Secretary of Commerce would have to act on each application for assistance within 60 days of receipt or the request would be automatically approved. Grants would be made only if the Secretary received what he deemed as "satisfactory assurance" that, if Federal funds were made available, on-site labor could begin within 90 days following approval of the project.

We view an accelerated public works program of this nature as objectionable for several reasons:

- Public works projects are a notoriously slow and costly means of creating jobs.
- By the time the peak employment impact occurs, the economy will not require any additional stimulus.
- This program would not directly benefit geographic areas in which the need for jobs is in sectors other than construction--e.g., manufacturing and services.
- Resources would be directed into constructing public facilities which would have to be maintained or operated at public expense.
- The requirement of 100 percent Federal funding reduces or removes State and local incentives to set investment priorities and to conduct careful project reviews.

Revenue Sharing Assistance to
State and Local Governments

The enrolled bill provides \$1.25 billion to the Department of the Treasury for "countercyclical" revenue sharing assistance to State and local governments for "maintenance of basic services" for the five-quarter period beginning July 1, 1976. This assistance would be available quarterly as long as the national rate of unemployment exceeded six percent. For each quarter, the bill would provide--under the terms of the authorizing legislation--\$125 million plus \$62.5 million for each half percentage point that unemployment exceeded six percent. Based on current projections, most of the funds would be utilized in the five quarters.

One-third of the funds would be distributed to the States and two-thirds to local governments. Allocations to all jurisdictions would be based on the size of their revenue sharing entitlements and their rates of unemployment in excess of 4.5 percent.

These countercyclical grants would allow State and local governments to reduce expenditures from own-source revenues without careful evaluation of activities in terms of benefits realized. Dependence on these grants would very likely create such pressures that the program would be made permanent.

The countercyclical aid cannot reasonably be provided by the deadlines established in the bill. Before the payments can be made, the Department of Labor must develop new unemployment data required for the distribution formula, the Department of the Treasury must issue regulations, and signed statements of assurance--as required under the terms of the authorizing legislation--must be obtained from thousands of State and local governments. Considering these requirements, it would likely be November 1976 or later before any payments could be made. Payments made in November 1976 would need to cover the first two of the five quarters during which payments are to be made.

Wastewater Treatment Construction Grants

The Environmental Protection Agency's wastewater treatment construction grants program would receive \$480 million. These funds would be distributed to 37 States and Territories that did not previously receive the full amount to which they would have been entitled under an allocation formula based on a 1974 needs survey. The 1974 formula was not used in February, 1975, to distribute \$9 billion in previously reserved funds. Instead, the formula in effect at the time the funds were originally authorized was used. Consequently, in providing the funds contained in this bill, the Congress is attempting to partially redress an inequity that arose because of the distribution of previously authorized funding on the basis of an outmoded formula.

These funds would have almost no impact on job opportunities in the near future due to the long lead time required in constructing wastewater treatment facilities.

The Administration recommended against authorizing any additional funds for this program pending Congressional action on our program reform legislation proposed early this year. No action has been taken, though Senator Muskie has publicly promised a thorough review--including consideration of our proposed reforms--next year.

Recommendation

The reasons that led to your veto of the authorization measure for the enrolled bill are still valid:

- While the unemployment rate has increased slightly since you vetoed the authorization bill, from 7.5 percent in June to 7.8 percent in July to 7.9 percent in August, there have been no fundamental shifts in the general economic recovery which now argue for accepting this legislation.
- the tax incentive approach you proposed to encourage construction of new facilities or expansion of old facilities in areas with unemployment of more than 7% is far preferable because it would target the aid in the areas where it is most needed, keep the incentive in the private sector, and would be quicker.

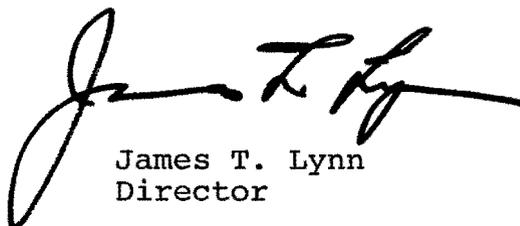
- It would cost the taxpayer \$25,000 to fund each year of employment created under this legislation--an unacceptably high cost, considering the average annual income of the American worker and the burden the taxpayer would bear in supporting these jobs.
- The increases in Government spending which the bill would dictate could cause overstimulation of the economy, inflation, and the threat of another recession. Paradoxically, this bill--put forward as a job creation measure--could in the long run be a job destruction measure.
- The increased Federal funds required to implement the programs covered by this bill would diminish the availability of funds in the private sector--funds that could be used to create more permanent jobs that would not require continued taxpayer support.
- The public works approach embodied in this legislation is notoriously slow in creating employment because of the long lead times required to get construction projects underway.

Despite the foregoing points, I believe that there are a number of compelling reasons why the enrolled bill should be approved:

- There is virtual certainty that the 94th Congress would override your veto of the enrolled bill. The Congress has already overridden your veto of the basic authorizing legislation by a vote of 73 to 24 in the Senate, and the House did likewise by a vote of 310 to 96. The appropriations bill before you passed the House by a vote of 311 to 72 and the Senate by a vote of 60 to 14. Many of your staunchest supporters in the Congress--particularly in the House--are urging that you sign the enrolled bill.

- In spite of your best efforts to educate the public as to the real cost and inflationary impact of this legislation, the general perception that remains is that the legislation is worthwhile since it will create jobs--particularly in the construction industry where current unemployment rates greatly exceed the national average.
- Because the debate over the programs in the enrolled bill has gone on now for more than a year and the differing positions of both the Administration and the Congress are well known, it is highly questionable how useful one more round of veto and override would be. I see nothing to be gained from confronting the Congress once again on this issue.

Given the clear intention of the Congress in this matter and the agreements you have worked out with Congressional leaders with respect to your decisions on this and other legislation that would not require your action until after the sine die adjournment of the 94th Congress, I recommend that you sign the enrolled bill and concurrently issue a signing statement.



James T. Lynn
Director

SEP 28 1976



GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE
Washington, D.C. 20230

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in response to your request for the views of this Department on H. R. 15194, an enrolled enactment

"Making appropriations for public works employment for the period ending September 30, 1977, and for other purposes,"

to be cited as the "Public Works Employment Appropriations Act."

This legislation would appropriate approximately \$3.7 billion to carry out the Public Works Employment Act of 1976. (P. L. 94-369) These funds would be allocated in the following manner:

- (1) \$2 billion to the Department of Commerce (Economic Development Administration) for Title I of P. L. 94-369, the local public works program, (from which up to \$10 million may be used for administrative expenses);
- (2) \$1.25 billion to the Department of the Treasury for Title II of P. L. 94-369, the antirecession financial assistance fund; and,
- (3) \$480 million to the Environmental Protection Agency for Title III of P. L. 94-369, waste water treatment construction grants.

The Department of Commerce recommends that the President approve H. R. 15194.

The Economic Development Administration (EDA) has already developed a system for implementing Title I of P. L. 94-369 which is designed to insure that the funds will be used to support the



highest quality projects available from areas with the greatest number of unemployed persons, the most severe rates of unemployment, and the lowest incomes. In addition, the approach insures that decisions on an extremely large number of projects will be made objectively and rapidly.

In late August, 80,000 application forms were obtained by the public. (Congress had mandated in P. L. 94-369 that forms be prescribed within 30 days after enactment.) The Economic Development Administration anticipates that between 25,000 and 35,000 applications will be received at the time when funds would actually be apportioned to the Department. Based on an October 25 apportionment date and the proposed implementation system, EDA expects that it would have almost all of its Title I appropriations obligated by the end of this calendar year and, therefore, that construction would begin on projects before the close of the first quarter of calendar year 1977.

Expectations regarding this program are extremely high. Many local governments have already expended considerable time and resources in preparing for this program. We have received indications that not only are local governments planning for the use of these resources, but some parts of the private sector are also prepared to participate. For instance, many architectural and engineering firms have undertaken work in conjunction with potential government projects.

We estimate that approximately 80,000 direct and indirect jobs could be created by the local public works program. This program could also provide a substantial number of needed public facilities in areas of extreme economic distress.

The Public Works Employment Act of 1976 was enrolled on July 22, 1976 after the President had vetoed it. The vote to override was: House-310 to 96; and Senate-73 to 24.

In contrast to many public employment proposals, this Act is designed to promote the construction of necessary and permanent public facilities, such as sewer plants, courthouses, firehouses, and such. In the judgment of EDA, after examination of a number of letters of intent, many of these projects would not proceed without Federal funding. Further, we believe that the jobs that would be

created or maintained would be largely in the construction and construction-related industries and would employ skilled and semi-skilled workers in the private sector. We consider this to be highly preferable to public employment which would involve unskilled employees in temporary, public sector jobs in make-work projects with little or no permanent public benefit.

Enactment of this legislation would involve expenditure of \$2 billion by this Department as follows: \$800 million in each of fiscal years 1977 and 1978 and \$200 million in each of fiscal years 1979 and 1980.

Sincerely,



General Counsel



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

SEP 28 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

This report responds to your request for the views of this Department on the enrolled enactment of H.R. 15194, "Making appropriations for public works employment for the period ending September 30, 1977, and for other purposes."

Chapter II of title I of the enrolled enactment would appropriate \$1,250,000,000 to remain available until September 30, 1978 for payments to State and local governments pursuant to title II of the Public Works Employment Act of 1976 (Act), and \$1,633,000 to the Office of Revenue Sharing to remain available until September 30, 1977 to carry out its duties under the Act. The House report states that this is intended to provide approximately 30 additional positions in the Office of Revenue Sharing. Title II of the enrolled enactment would make several amendments to title II of the Act.

The amounts appropriated in the enrolled enactment would be sufficient to allow the Department to perform its functions under the Act and we have no objection to the amendments to the Act in title II. However, since the Congress passed the Act into law over the veto of the President, the Department has no recommendation to make concerning whether the President should now attempt to prevent its implementation by not approving the enrolled enactment.

Sincerely yours,


Richard H. Albert
General Counsel

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

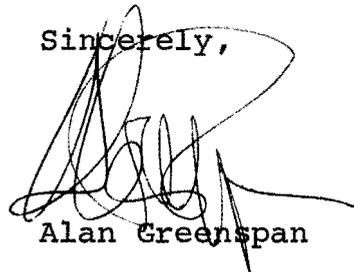
September 28, 1976

Dear Mr. Frey:

This is in response to your request for the Council of Economic Advisers' views on H. R. 15194, the appropriations bill for the Public Works Employment Act of 1976.

The Council encouraged a Presidential veto of the Public Works Act as it would not have a significant job creating impact during the period of high unemployment. Most of the impact would appear after we have proceeded so far in the recovery in the private sector that the additional spending would be counterproductive. For these reasons, we believe the original measure and the appropriations bill are unwise. We do recognize that Congress was able to override the President's veto. Nevertheless, from the point of view of economic policy, this bill should be vetoed.

Sincerely,



Alan Greenspan

Mr. James Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503





THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

SEP 28 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Miss Martha Ramsey

Dear Mr. Frey:

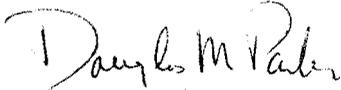
Subject: H. R. 15194, 94th Congress
Enrolled Enactment

This is in reply to your request for our views on the enrolled enactment of H. R. 15194, the "Public Works Employment Appropriations Act".

The enrolled bill would appropriate \$2 billion for fiscal year 1977 to the Economic Development Administration for public works projects under title I of the "Public Works Employment Act of 1976" (P. L. 94-369); an aggregate \$1.25 billion through September 30, 1977 to the Treasury Department for anti-recessionary financial assistance authorized by title II of the Act; and \$480 million for fiscal 1977 for the Environmental Protection Agency waste treatment program pursuant to title III of the Act.

Except in the case of waste treatment works, the enrolled bill appropriates the full amounts authorized for programs which we consider seriously defective. As noted in our enrolled enactment report on P. L. 94-369, we believe these defects justified the President in withholding his approval from the authorizing measure, and we see no adequate basis for recommending a different course of action on this appropriation bill.

Sincerely,


for Robert R. Elliott

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

SEP 28 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for the Department's views on H.R. 15194, the "Public Works Employment Appropriations Act," a bill that makes appropriations for the Public Works Employment Act of 1976, P.L. 94-369. We recommend that the bill be signed.

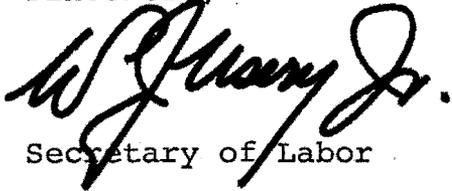
H.R. 15194 would appropriate 2 billion for title I of the Public Works Employment Act. Title I of the bill is administered by the Commerce Department. Under that title, Commerce will provide funding for certain State and local government public works projects. The Bureau of Labor Statistics will provide unemployment data to Commerce in order to allow them to meet the requirements of the Act.

This appropriations bill would provide \$312.5 million for July 1, 1976, through September 30, 1976, and \$937.5 million for the Fiscal Year 1977 for title II of P.L. 94-369. Title II is a counter-cyclical revenue sharing program administered by the Treasury Department. Under that program, State and local governments will receive money based on a formula involving the local unemployment rate and the local government's revenue sharing amount. The BLS is responsible for providing unemployment rates to Treasury. No specific funds for the additional work to be performed by BLS have been included in this bill. It is our understanding, however, that these funds will be provided to BLS by the Departments of Commerce and Treasury out of their appropriations.

H.R. 15194 also provides \$480 million to carry out title II of the Federal Water Pollution Control Act. Further, it makes several technical amendments in title II of P.L. 94-349.

While the Department recognizes the fiscal constraints involved, we believe that the funds appropriated by this bill would help create jobs in the future. We therefore recommend that the appropriations bill be signed.

Sincerely,

A handwritten signature in black ink, appearing to read "W. J. Flannery Jr.", written in a cursive style.

Secretary of Labor

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 30

Time: 430pm

FOR ACTION: Art Quern
 Max Friedersdorf cc (for information): Jack Marsh
 Bobbie Kilberg George Humphreys Jim Connor
 Paul Leach Robert Hartmann Ed Schmults
 Paul Myer Lynn May
 David Lissy Bill Seidman
 FROM THE STAFF SECRETARY

DUE: Date: September 30

Time: asap

SUBJECT:

H.R. 15194-Public Works Employment Appropriation Act

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 30

Time: 430pm

FOR ACTION: Art Quern
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Bobbie Kilberg
Paul Leach
Paul Myer
David Lissy
FROM THE STAFF SECRETARY

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James M. Cannon
For the President

THE WHITE HOUSE

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REMARKS:

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I recommend approval from the waterways grant standpoint, which is minor when compared to the whole bill

Paul

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a

To: J. Johnson
9-30-76
3:30 P.M.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 30 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 15194 - Public Works
Employment Appropriations Act
Sponsor - Rep. Mahon (D), Texas

Last Day for Action

October 8, 1976 - Friday

Purpose

Appropriates a total of \$3,732,433,000 in new budget authority for certain activities of the Department of Commerce (Economic Development Administration), the Department of the Treasury (Office of Revenue Sharing), and the Environmental Protection Agency.

Agency Recommendations

Office of Management and Budget	Approval (draft signing statement attached)
Department of Commerce	Approval (views letter attached)
Department of the Treasury	No recommendation (views letter attached)
Council of Economic Advisers	Disapproval (views letter attached)
Department of Housing and Urban Development	Disapproval (views letter attached)
Department of Labor	Approval (views letter attached)
Environmental Protection Agency	No objection (informally)

THE WHITE HOUSE

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REMARKS:

please return to judy johnston, ground floor west wing

Recommend Approval - mjf

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a

STATEMENT BY THE PRESIDENT

OK *OK*
I am today signing H. R. 15194, the Public Works Employment Appropriations Act.

OK
I continue to have deep reservations concerning measures such as this that are designed to stimulate employment at the unacceptably high cost of \$25,000 per job and only after a considerable delay in time.

I believe that this legislation unnecessarily risks our battle against inflation. If inflation is rekindled, it will be due in part to measures such as this which destroy jobs instead of creating them.

I reiterate today my belief that tax reductions -- giving the taxpayer greater spending choices -- would be a far better way to stimulate employment. It is for this reason that I proposed a \$10 billion tax cut last January.

The Congress did not act on my program to reduce taxes. Instead, the Congress has chosen an approach that increases Government spending.

However, we have debated this legislation for many months and the positions of the Congress and myself are well known. The Congress has overridden my veto of the authorizing legislation and overwhelmingly approved the necessary appropriation. Therefore, I am signing this bill.

*Attached
back-up
OK
R. 11/29
W.C.
July 6, 1972*

9/30/76 - 6:00 pm
W

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

oh/jl

Date: September 30

Time: 430pm

FOR ACTION: Art Quern
Max Friedersdorf
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Paul Leach
Paul Myer
David Lissy
FROM THE STAFF SECRETARY

cc (for information): Jack Marsh
Jim Connor
Ed Schmults
George Humphreys
Robert Hartmann
Lynn May
Bill Seidman

*to Res 6:05 to DJS
9-30 6:05 to DJS
GAm 101-8:15
GAm*

DUE: Date: September 30

Time: asap

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H.R. 15194-Public Works Employment Appropriation Act

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For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

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- Draft Remarks

REMARKS:

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APPROVE

WE SHARE OMB'S AND CEA'S RESERVATIONS REGARDING THE POTENTIAL LIABILITIES OF THIS BILL IN OUR ATTEMPT TO PROVIDE A SUSTAINED RECOVERY WITHOUT INFLATION. BUT, WE ALSO RECOGNIZE THE LEGISLATIVE AND POLITICAL REALITIES OUTLINED BY OMB AND SHARE THE VIEW THAT, ON BALANCE, THE BILL SHOULD BE APPROVED.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

STATEMENT BY THE PRESIDENT

I am today signing H. R. 15194, the Public Works Employment Appropriations Act.

I continue to have deep reservations concerning measures such as this that are designed to stimulate employment at the unacceptably high cost of \$25,000 per job and only after a considerable delay in time.

I believe that this legislation unnecessarily risks our battle against inflation. If inflation is rekindled, it will be due in part to measures such as this which destroy jobs instead of creating them.

I reiterate today my belief that tax reductions -- giving the taxpayer greater spending choices -- would be a far better way to stimulate employment. It is for this reason that I proposed a \$10 billion tax cut last January.

The Congress did not act on my program to reduce taxes. Instead, the Congress has chosen an approach that increases Government spending.

However, we have debated this legislation for many months and the positions of the Congress and myself are well known. The Congress has overridden my veto of the authorizing legislation and overwhelmingly approved the necessary appropriation. *In accordance with that clear Congressional mandate* therefore, I am signing this bill.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

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Time: 430pm

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 Lynn May
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FROM THE STAFF SECRETARY

DUE: Date: September 30

Time: asap

SUBJECT:

H.R. 15194-Public Works Employment Appropriation Act

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

9/30/76 - Copy sent for recording. nm

*Summary Statement
 OK in Ed's Room
 9/30/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

or if you anticipate a

STATEMENT BY THE PRESIDENT

I am today signing H. R. 15194, the Public Works Employment Appropriations Act.

I continue to have deep reservations concerning measures such as this that are designed to stimulate employment at the unacceptably high cost of \$25,000 per job and only after a considerable delay in time.

I believe that this legislation unnecessarily risks our battle against inflation. If inflation is rekindled, it will be due in part to measures such as this which destroy jobs instead of creating them.

I reiterate today my belief that tax reductions -- giving the taxpayer greater spending choices -- would be a far better way to stimulate employment. It is for this reason that I proposed a \$10 billion tax cut last January.

The Congress did not act on my program to reduce taxes. Instead, the Congress has chosen an approach that increases Government spending.

However, we have debated this legislation for many months and the positions of the Congress and myself are well known. The Congress has overridden my veto of the authorizing legislation and overwhelmingly approved the necessary appropriation. Therefore, I am signing this bill.

I am today signing H.R. 15194, the Public Works Employment Appropriations Act of 1976.

In July I vetoed the authorizing legislation which made this \$3.95 billion appropriation necessary. I said then, and I still believe, that these funds will not create lasting jobs but will create new inflationary pressures.

I said then and I still believe that the best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation.

Congress rejected my veto. This Congress has not recognized the fallacy of having the American taxpayer finance pork-barrel projects and make-work jobs. Congress refuses to recognize the inflationary risk in this Public Works Appropriation.

However, another confrontation with Congress on this bill is pointless.

We must nevertheless continue to challenge the Congress on the underlying principle of this pork-barrel, make-work legislation.

I am therefore signing H.R. 15194 and directing the appropriate departments of this Administration to make, over the next year, a careful month-by-month audit of

expenditures under this Appropriation to determine just how many jobs are created, how much it costs the taxpayer to create each job, and just what impact there is on inflation.

In accepting this Appropriation, I call upon the Congress to request the General Accounting Office to conduct a parallel audit of the results of this legislation. This is an expensive test but Congress will not see the fallacy of its approach until we can show through an audit what we know to be the facts.

A handwritten signature in cursive script, appearing to read "J. F. Kennedy", is located in the lower right quadrant of the page.

STATEMENT BY THE PRESIDENT

I am today signing H.R. 15194, the Public Works Employment Appropriations Act of 1976.

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I said then, and I still believe, that the best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation.

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However, another confrontation with Congress on this bill is pointless.

We must nevertheless continue to challenge the Congress on the underlying principle of this pork-barrel, make-work legislation.

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In accepting this Appropriation, I call upon the Congress to request the General Accounting Office to conduct a parallel audit of the results of this legislation. This is an expensive test but Congress will not see the fallacy of its approach until we can show through an audit what we know to be the facts.

MAKING APPROPRIATION, PUBLIC WORKS, FISCAL
YEAR 1977

SEPTEMBER 14, 1976.—Ordered to be printed

Mr. MAHON, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 15194]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15194) "making appropriations for public works employment for the period ending September 30, 1977, and for other purposes," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows:

In lieu of the sum proposed by said amendment insert \$480,000,000; and the Senate agree to the same.

GEORGE MAHON,
EDWARD P. BOLAND,
JOE L. EVINS,
GEORGE E. SHIPLEY,
J. EDWARD ROUSH,
BOB TRAXLER,
MAX BAUCUS,
LOUIS STOKES,
YVONNE BRATHWAITE BURKE,
JOSEPH M. McDADE,
C. W. BILL YOUNG,
Managers on the Part of the House.
JOHN O. PASTORE,
JOHN L. McCLELLAN,
J. BENNETT JOHNSTON,
WALTER D. HUDDLESTON,
CHARLES McC. MATHIAS, Jr.,
HENRY BELLMON,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15194) making appropriations for public works employment for the fiscal year ending September 30, 1977, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying report:

TITLE I

ENVIRONMENTAL PROTECTION AGENCY

Amendment No. 1.—Appropriates \$480,000,000 for construction grants, instead of \$200,000,000 as proposed by the House and \$700,000,000 as proposed by the Senate.

Amendment No. 2.—Deletes language proposed by the House relating to the allocation of funds as proposed by the Senate. The Committee of Conference agrees that the funds provided will be allocated in the same proportion as established by the formula incorporated by reference in Public Law 94-369.

CONFERENCE TOTAL—WITH COMPARISONS

The total new budget (obligational) authority for the fiscal year 1977 and the transition period recommended by the committee of conference, with comparisons to the budget estimates, and the House and Senate bills for 1977 and the transition period follow:

Budget estimates of new (obligational) authority, fiscal year	
Transition period.....	-----
1977	-----
House bill, fiscal year 1977.....	\$1, 138, 300, 000
Transition period.....	2, 314, 133, 000
Senate bill, fiscal year 1977.....	1, 638, 300, 000
Transition period.....	2, 314, 133, 000
Conference agreement.....	1, 418, 300, 000
Transition period.....	2, 314, 133, 000

Conference agreement compared with—

Budget estimates of new (obligational) authority, fiscal year 1977-----	+1,418,300,000
Transition period-----	+2,314,133,000
House bill, fiscal year 1977-----	+280,000,000
Transition period-----	
Senate bill, fiscal year 1977-----	-220,000,000
Transition period-----	

GEORGE MAHON,
 EDWARD P. BOLAND,
 JOE L. EVINS,
 GEORGE E. SHIPLEY,
 J. EDWARD ROUSH,
 BOB TRAXLER,
 MAX BAUCUS,
 LOUIS STOKES,
 YVONNE BRATHWAITE BURKE,
 JOSEPH M. McDADE,
 C. W. BILL YOUNG,

Managers on the Part of the House.

JOHN O. PASTORE,
 JOHN L. McCLELLAN,
 J. BENNETT JOHNSTON,
 WALTER D. HUDDLESTON,
 CHARLES McC. MATHIAS, Jr.,
 HENRY BELLMON,

Managers on the Part of the Senate.



PUBLIC WORKS EMPLOYMENT APPROPRIATIONS ACT

AUGUST 27, 1976.—Ordered to be printed

Mr. McCLELLAN, from the Committee on Appropriations,
submitted the following

REPORT

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 15194]

The Committee on Appropriations, to which was referred the bill (H.R. 15194) making public works employment appropriations for the period ending September 30, 1977, and for other purposes, reports the same to the Senate with amendments and with the recommendation that the bill be passed, and submits the following explanation of its recommendations.

INTRODUCTION

The accompanying bill is recommended in response to the mandate of the Senate of July 21, when by a vote of 73 to 24, the President's veto of the Public Works Employment Act of 1976 was overridden. The next day, the House overrode the veto by a vote of 310-96, thus enacting the bill into public law. The action of the Committee honors the clear intention of an overwhelming majority of the Members of the Senate that prompt consideration be given to providing appropriations to implement the provisions of the Act.

The principal thrust of the authorizing legislation is to provide immediate economic stimulus in those geographic areas experiencing

high levels of unemployment. The legislation includes features to make Federal financial assistance available in areas as local conditions warrant.

THE CURRENT UNEMPLOYMENT SITUATION

Eighteen months ago the Nation was experiencing the sharpest rise in unemployment since the Great Depression of the 1930's. Unemployment has now remained higher over a longer period than any time since World War II. Currently, overall national unemployment is 7.8 percent. While there have been some modest improvements, unemployment rates continue to be unacceptably high. The improvements that have occurred have been discouragingly slow and have not been shared equally in all sectors of the economy and in many areas of the country.

In fact, the 7.8 percent unemployment level in July is an increase over the 7.5 percent unemployment level in June and the 7.3 percent unemployment level in May. This means that 566,000 more people were added to the unemployment rolls in just the last 2 months. Total unemployment is now officially 7,426,000 Americans and this does not even count the estimated 1.5 million people who are so discouraged by the state of the economy that they have given up looking for work. Coupled with this is the fact that in the last 3 years—because of the continuing massive unemployment situation—unemployment benefits have totaled \$37 billion. This means that more than one-third of all benefits paid since the beginning of the program over 40 years ago have been paid in the last 3 years. It is estimated that \$17 billion in unemployment benefits will be paid this year alone. Expenditures have been so high for unemployment benefits in recent years that it has become necessary for the Federal Government to appropriate \$15 billion to shore up bankrupt State unemployment trust funds. The Committee strongly believes that it is much more sensible to take a step to divert a portion of the Federal budget to construction of much needed public facilities as well as the maintenance of essential public services rather than to simply and passively continue to pour more and more Federal funds into the unemployment trust fund. The funds included in the bill are intended to provide increased employment opportunities—especially in the hard hit construction industry where unemployment now stands at 17.7 percent of the work force. This will allow some of those persons now drawing unemployment benefits to go back to work to construct public facilities of lasting value to the community and to provide essential public services.

This approach has the additional benefit of easing the burden on the capital improvement and operating budgets of State and local governments which are already hard pressed due to the deteriorating tax base caused by the depth and duration of the recession. The enactment of this legislation, in spite of the vetoes, is one more step in the achievement of the recommendations of the Congressional Program of Economic Recovery and Energy Sufficiency which was developed at the outset of the first session of the 94th Congress.

Appropriations recommended in this bill are for programs designed to provide immediate assistance where the downturn in the economy has hit hardest and has persisted.

SUMMARY OF THE BILL

The accompanying bill includes a grand total of \$3,952,433,000 in new budget authority including appropriations of \$2,000,000,000 to the Economic Development Administration of the Department of Commerce for grants for various State and local public works projects; \$1,250,000,000 to the Department of the Treasury for an antirecessionary program of revenue sharing and \$700,000,000 to the Environmental Protection Agency for additional waste treatment works construction grants. Also included in the bill is a total of \$2,433,000 in new budget authority for certain related administrative expenses.

The Committee continues to believe that in funding Federal programs for the purpose of combating inflation, emphasis should be directed to programs providing productive jobs that increase the wealth of the Nation and create tangible results. Expenditures for programs which simply result in making more money available without increasing the Nation's output of goods and services tend to aggravate inflationary pressures.

The Committee is concerned that funds contained in the bill be utilized in a timely manner and urges the Administration to move forward with the programs involved as quickly as possible.

In preparing the bill, the Committee has utilized its existing subcommittee structure. Information concerning the recommendations of the Committee appear under the two substantive chapters in this report.

TITLE I
CHAPTER I

SUBCOMMITTEE ON DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE,
THE JUDICIARY AND RELATED AGENCIES

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

LOCAL PUBLIC WORKS PROGRAM

	<i>Transition quarter</i>
Appropriations to date.....	
Budget estimate.....	
House allowance.....	\$2, 000, 000, 000
Committee recommendation.....	2, 000, 000, 000

The Committee recommends an appropriation of \$2,000,000,000, the same as the House allowance and the full amount authorized, to carry out Title I of the Public Works Employment Act of 1976 (Public Law 94-369 of July 22, 1976). In addition, the Committee recommends that, of the total amount provided, not to exceed \$10,000,000 may be used for necessary administrative expenses, including expenses for program evaluation by the Secretary of Commerce.

Title I, the Local Public Works Capital Development and Investment Act of 1976, authorizes the Secretary of Commerce, through the Economic Development Administration, to make grants to State and local governments for public works projects through three programs, as follows:

Direct grant program.—Provides 100 percent Federal funding for construction, renovation, repair or other improvement of public works projects, including but not limited to projects for which Federal financial assistance is authorized under provisions of law other than Public Law 94-369.

Supplemental grant program.—Provides grants for the purpose of increasing the Federal matching share of any federally assisted public works project to 100 percent where such Federal financial assistance is immediately available.

Grant program for projects authorized by State or local law.—Provides grants for all or any portion of the State or local share of any public works project authorized by any State or local law. However, such a grant may not provide both the State and local share. In addition, the matching share must be immediately available and construction of the project not yet started.

The Act prohibits grants for projects which would affect natural watercourses, projects which would include acquisition of interests in real property, or which would include the funding of project maintenance costs. The Act also provides that applications for funding must demonstrate that, if approved, on-site labor can begin within 90 days.

In addition, priority must be given to public works projects of local governments.

Eligible applicants for grants include States and local governments, including cities, counties, towns, parishes or other political subdivisions of a State, and Indian tribes. Projects must be in areas with an average unemployment rate of 6.5 percent or more for the three most recent consecutive months for which data are available. Seventy percent of all appropriated funds must be allocated for projects submitted by areas whose average unemployment rate exceeds the national unemployment rate of the three most recent consecutive months for which data are available. Of the remaining 30 percent, priority must be given to applications from areas experiencing average unemployment rates in excess of 6.5 percent, but less than the national rate for the three most recent consecutive months for which data are available. At least one-half of 1 percent, but not more than 12.5 percent of the funds appropriated, shall be granted for projects within any one State. Guam, the Virgin Islands, and American Samoa together will not receive less than one-half of 1 percent.

With respect to program administration, the Secretary of Commerce is required under the Act to prescribe rules and regulations within 30 days of enactment of the authorizing legislation. These rules and regulations were published on August 23, 1976. In addition, applications for funding must be acted on within 60 days of receipt. If no action is taken within the prescribed time, applications are deemed to be approved.

The purpose of title I of this legislation is to help alleviate the problem of unemployment throughout the Nation, and to assist States and local governments in building needed public facilities. The economy in the past 18 months has experienced its greatest decline since the Great Depression. While some modest strides have been made toward recovery in recent months, the national unemployment rate remains at an unacceptably high level of 7.8 percent. The appropriation of \$2 billion provided for the local public works program in

this bill is designed to provide immediate assistance to an area of the economy which has been a major victim of the current downturn—the construction industry. Unemployment in the construction sector of the economy reached 17.7 percent in July—more than twice the national average. Although testimony presented to the Committee by the Economic Development Administration indicated uncertainty as to the number of projects that would be eligible for funding in the foreseeable future, the Committee recommends—on the basis of experience with similar programs—the appropriation of the full \$2 billion to assure that the necessary funds are available to meet the demand.

The Committee is deeply concerned about the costs of administering the program. The objective of the local public works program is to put people to work. Overhead costs and the hiring of additional administrative personnel should be kept to the absolute minimum. The Committee has provided that not to exceed \$10 million, which is one-half of 1 percent of the total amount appropriated, may be used for administrative expenses. This amount also includes expenses for monitoring grants and for program evaluation by the Office of the Secretary of Commerce.

EDA officials testified that, in establishing rules and regulations to carry out the legislation, they intend to place a general limitation of \$5 million on the Federal share of any project funded under this appropriation with a provision for certain exceptions for projects which would exceed that amount. The purpose of such a general limitation would be to ensure an equitable distribution of the funds available. The authorizing legislation, Public Law 94-369, does not contain any limitation on the total dollar cost or the amount of the Federal share of an individual project funded under the Act.

The Committee believes that there is merit in setting a limitation on the amount of the Federal share of each project in order to provide for an equitable distribution, throughout the entire country, of the funds available for this program. However, the Committee would urge that EDA, in establishing regulations for the administration of the program, provide the flexibility necessary to fund needed public works projects which may exceed to some extent any general limitation, and at the same time secure the maximum number of jobs with the funds available.

FISCAL YEAR 1977 BUDGETARY IMPACT OF H.R. 15194 FOR SUB-COMMITTEE ON STATE, JUSTICE, COMMERCE ¹

[In millions of dollars]

	Budget authority		Outlays	
	Committee allocation	Amount in bill	Committee allocation	Amount in bill
I. Comparison of amounts in the bill with the committee allocation to the subcommittee of amounts in the First Concurrent Resolution for 1977:				
Initial allocation to the Subcommittee on State, Justice, and Commerce as of June 8, 1976	7,000		7,400	
Outlay allowance for job-creating programs recently allocated to the Committee on Appropriations			350	
Transfer of undistributed amounts for contingencies from the committee's reserved allocation			150	
Adjusted allocation	7,000		7,900	
Action to date (Public Law 94-362)		6,680		² 7,183
Amounts recommended by the committee in the accompanying bill		(³)		² 600
Subtotal		6,680		² 7,783
Amount of committee allocation remaining for later subcommittee requirements	320		117	
II. Summary by functional category of 1977 budget amounts recommended in the bill:				
450—Community and Regional Development		(³)		² 600
III. Financial assistance to State and local governments for 1977 in the bill				
IV. Projections of outlays associated with budget authority recommended in the bill:				
1977				⁴ 600
1978				920
1979				460
1980				20
1981				
Future year				

¹ Prepared from data received from the Congressional Budget Office pursuant to sec. 308(a) Public Law 93-344.

² Includes outlays from prior year or transition quarter budget authority.

³ \$2,000,000,000 of budget authority is for the transition quarter.

⁴ Excludes outlays from prior year budget authority.

CHAPTER II

SUBCOMMITTEE ON HOUSING AND URBAN DEVELOPMENT—
INDEPENDENT AGENCIES

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

OFFICE OF REVENUE SHARING

ANTIRECESSION FINANCIAL ASSISTANCE FUND

	Transition quarter	Fiscal year 1977
Appropriations to date		
Budget estimate		
House allowance	\$312,500,000	\$937,500,000
Committee recommendation	312,500,000	937,500,000

The Committee concurs with the House in recommending an appropriation of \$1,250,000,000 to implement Title II of the Public Works Employment Act of 1976. This figure represents the full amount authorized by the Congress.

The Committee agrees with the House in providing \$312,500,000 of this amount in the transition quarter for the first quarter of the five-quarter authorization period. This amount is based on the national seasonally adjusted unemployment rate for the first three months of calendar year 1976. The balance of \$937,500,000 will be available for obligation in fiscal year 1977.

The authorization calls for general payments to State and local governments, beginning July 1, 1976 and covering five calendar quarters, totalling \$125,000,000 for each calendar quarter when the national seasonally adjusted unemployment rate reaches 6 percent. The authorization also provides for an additional appropriation of \$62,500,000 in each quarter for each one-half percentage point above the 6 percent unemployment level. As authorized in Sections 203(a) (1) and (2) of the Act, one-third of the amounts appropriated are to be reserved for eligible States and two-thirds for eligible units of local government.

The funds are to be used for the maintenance of basic services ordinarily provided by State and local governments, such as police and fire protection and sanitation services. The authorization legislation makes it clear that the funds are not to be spent for supplies, materials or construction unless related directly to the maintenance of basic services. Thus the Committee anticipates that the great bulk of this funding will be used to pay the salaries of personnel whose activities are essential to the provision of basic services and who would otherwise not be on State or local payrolls.

The funds are selectively targeted by means of a distribution formula based on unemployment at the State and local level. As a result those

(9)

areas suffering from the highest unemployment will receive the greatest benefits. The payments will decrease as the economy improves and unemployment goes down.

The Committee directs the Treasury Department to take all steps necessary to implement this program in an efficient and timely manner, with a minimum of administrative delay. This Committee is aware of the many reporting requirements that have been placed on State and local governments as well as the Department, but asks that the Department keep red tape to a minimum.

SALARIES AND EXPENSES

Transition Quarter

Appropriations to date.....	
Budget estimate.....	
House allowance.....	\$1, 633, 000
Committee recommendation.....	1, 633, 000

The Committee recommends an appropriation of \$1,633,000 for salaries and expenses in the Office of Revenue Sharing. This funding is needed to provide for approximately 30 additional positions to administer Title II of the Public Works Employment Act of 1976. The amount is the same as that provided by the House.

The Committee was informed that the Bureau of Labor Statistics would need \$250,000 and ten positions from this appropriation account to carry out certain statistical work associated with Title II of the authorizing legislation. The Committee is not convinced that this total request is essential but instructs the Office of Revenue Sharing to reach some agreement with the Bureau of Labor Statistics regarding the transfer of a reasonable amount of funds to BLS. The Committee stands ready to consider additional needs in acting on future appropriations legislation.

INDEPENDENT AGENCIES

ENVIRONMENTAL PROTECTION AGENCY

CONSTRUCTION GRANTS

	<i>Fiscal year 1977</i>
Appropriations to date.....	\$200, 000, 000
Budget estimate.....	
House allowance.....	200, 000, 000
Committee recommendation.....	700, 000, 000

¹ Represents reimbursement for earlier construction of publicly owned treatment works provided in PL 94-378, and authorized by Section 206(a) of the Federal Water Pollution Control Act Amendments of 1972.

The Committee has provided \$700,000,000—the full amount authorized—for the waste treatment construction grants in fiscal 1977. This amount is \$500,000,000 more than the total approved by the House.

These funds will be distributed to 37 States and Territories that did not previously receive the full amount to which they would have been entitled under an allocation formula based on a 1974 needs survey. The 1974 formula was not used in February 1975 to distribute \$9,000,000,000 in previously impounded funds. Consequently the funding provided is meant to partially redress an inequity that arose because of the distribution of previously authorized funding on the basis of an outmoded formula.

Although the Environmental Protection Agency testified that only about \$200,000,000 of the total was likely to be obligated in fiscal 1977, the Agency also made it clear to the Committee that it would be extremely difficult to administer the distribution of \$200,000,000 to the States on the basis of a \$700,000,000 entitlement. Consequently the Committee acted to provide the entire authorization so as to eliminate the possibility that funds would be exhausted before eligible states could qualify for their statutorily authorized share under the terms of the bill as passed by the House.

In view of the Committee's decision to provide the total authorization, the language included in the bill by the House giving the agency the authority to allot funds only to States for which currently authorized funds are no longer available is superfluous and has been stricken. The Committee has also deleted language indicating that no State can receive more than its full authorized allotment. The language is no longer required because the authorization act becomes controlling with the deletion of the above mentioned allotment authority language.

In view of the necessity to quickly provide these additional construction grant funds to States and localities, the Committee expects that EPA will make every effort to distribute the construction grant funds provided in this bill as quickly as possible and with a minimum of red tape. The Committee directs that the Agency file quarterly progress reports on the obligation of these funds.

ABATEMENT AND CONTROL

	<i>Fiscal year 1977</i>
Appropriations to date.....	\$376, 844, 000
Budget estimate.....	
House allowance.....	800, 000
Committee recommendation.....	800, 000

The Committee recommends an appropriation of \$800,000—the same as the House—to provide an additional 40 positions to process and administer the \$700,000,000 waste treatment construction grant program funded in this bill. The Committee also concurs with the House in urging the Office of Management and Budget to allocate the necessary staffing rather than require the Environmental Protection Agency to absorb these additional positions in their current fiscal year 1977 employment ceiling.

FISCAL YEAR 1977 BUDGETARY IMPACT OF H.R. 15194 FOR SUB-COMMITTEE ON HUD—INDEPENDENT AGENCIES ¹

[In millions of dollars]

	Budget authority		Outlays	
	Committee allocation	Amount in bill	Committee allocation	Amount in bill
I. Comparison of amounts in the bill with the committee allocation to the subcommittee of amounts in the First Concurrent Resolution for 1977:				
Initial allocation to the Subcommittee on HUD-Independent Agencies as of June 8, 1976	53, 200	-----	37, 200	-----
Transfer to Committee on Banking, Housing and Urban Affairs due to appropriation action on FHA fund	- 370	-----	- 370	-----
Adjusted allocation	52, 830	-----	36, 830	-----
Action to date (Public Law 94-378)		43, 285		² 35, 240
Amounts recommended by the committee in the accompanying bill		1, 638		² 1, 301
Subtotal		44, 923		² 36, 541
Amount of committee allocation remaining for later subcommittee requirements	7, 907	-----	289	-----
II. Summary by functional category of 1977 budget amounts recommended in the bill:				
300—Natural Resources, Environment, and Energy		701		50
450—Community and Regional Development		938		² 1, 252
III. Financial assistance to State and local governments for 1977 in the bill		1, 638		³ 987
IV. Projections of outlays associated with budget authority recommended in the bill:				
1977				³ 987
1978				203
1979				301
1980				98
1981				49
Future year				-----

¹ Prepared from data received from the Congressional Budget Office pursuant to sec. 308(a), Public Law 93-344.

² Includes outlays from prior year or transition quarter budget authority.

³ Excludes outlays from prior year budget authority.

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY ESTIMATES AND AMOUNTS
RECOMMENDED IN THE BILL**

Department or activity	Budget estimates	House bill	Senate committee recommendations	Senate committee recommendations compared with (+ or -):	
				Budget estimates	House bill
CHAPTER II					
DEPARTMENT OF THE TREASURY					
OFFICE OF THE SECRETARY					
OFFICE OF REVENUE SHARING					
Antirecession financial assistance fund.....		\$887,500,000	\$887,500,000		-
Transition period.....		312,500,000	312,500,000		-
Salaries and expenses, Transition period.....		1,633,000	1,633,000		-
Total, Department of the Treasury.....		1,251,633,000	1,251,633,000	+1,251,633,000	
INDEPENDENT AGENCIES					
ENVIRONMENTAL PROTECTION AGENCY					
Construction grants.....		200,000,000	700,000,000	+700,000,000	+500,000,000
Abatement and control.....		800,000	800,000	+800,000	
Total, Environmental Protection Agency.....		200,800,000	700,800,000	+700,800,000	+500,000,000
Total, Chapter II.....		1,452,433,000	1,952,433,000	+1,952,433,000	+500,000,000

TITLE II

GENERAL PROVISIONS

Section 201 of the bill includes technical amendments to the Public Works Employment Act of 1976 in five instances to correct the basic legislation. They are fully explained under the heading "Changes in the Application of Existing Law".

Section 202 of the bill carries language limiting the availability of funds to September 30, 1977, unless otherwise specified. Language of this nature is customarily carried in appropriation bills.

LIMITATIONS AND LEGISLATIVE PROVISIONS

The Committee recommends concurrence with the following limitations and legislative provisions, all included in the bill, as passed by the House, and mentioned in the House report:

On page 2, in connection with "Economic Development Administration, Local Public Works Program":

Provided, That not to exceed \$10,000,000 may be used for necessary administrative expenses, including expenses for program evaluation by the Secretary of Commerce.

On page 4, in connection with General Provisions:

Sec. 201. Title II of the Public Works Employment Act of 1976 (Public Law 94-369), authorizing foregoing appropriations, is amended as follows.

(1) Section 202(d)(1) is amended by striking out "and" at the end thereof and inserting in lieu thereof "or".

(2) Section 203(c)(3)(C)(ii) is amended by striking out "thirty days" and inserting in lieu thereof "90 days".

(3) Section 203(c)(4)(E)(vi) is amended by striking out "of Alaskan Native village" and inserting in lieu thereof "or Alaskan Native village".

(4) Section 204 is amended by striking out "grants" and inserting in lieu thereof "payments".

(5) Section 210(c)(1) is amended by striking out "and" at the end thereof and inserting in lieu thereof "or".

COMPLIANCE WITH RULE XXIX--PARAGRAPH 4

The following is submitted in compliance with paragraph 4 of rule XXIX of the Senate.

The accompanying bill would amend Sec. 202(d)(1) of the Public Works Employment Act of 1976 (Public Law 94-369) by striking out (per brackets) and inserting (per italicized matter), as follows:

(d) TERMINATION.—No amount is authorized to be appropriated under the provisions of subsection (b) for any calendar quarter if—

(1) the average rate of national unemployment during the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent, **[and]** *or*

(2) the rate of national unemployment for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent.

The accompanying bill would amend Sec. 203(c)(3)(C)(ii) of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

(C) The amount set aside for the purpose of making payments to each local government, other than an identifiable local government, with the jurisdiction of a State under subparagraph (B) shall be—

(i) equal to the total amount allocated under paragraph (1) of this subsection for all local governments within the jurisdiction of such State which are treated as though they are one local government under subparagraph (A) multiplied by the local government percentage as defined in paragraph (2) (determined without regard to the parenthetical phrases at the end of paragraphs (4) (B) and (C) of this subsection), unless

(ii) such State submits, within **[thirty days]** *90 days*, after the effective date of this title, an allocation plan which has been approved by the State legislature and which meets the requirements set forth in section 206(a), and is approved by the Secretary under the provisions of section 206(b). In the event that a State legislature is not scheduled to meet in regular session within three months after the effective date of this title, the Governor of such State shall be authorized to submit an alternative plan which meets the requirements set forth in section 206(a), and is approved by the Secretary under the provisions of section 206(b).

The accompanying bill would amend Sec. 203(c)(4)(E)(ii) of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

(E) the term "local government" means the government of a county, municipality, township, or other unit of government below the State which—

(i) is a unit of general government (determined on the basis of the same principles as are used by the Social and Economic Statistics Administration for general statistical purposes), and

(ii) performs substantial governmental functions. Such term includes the District of Columbia and also includes the recognized governing body of an Indian tribe **[of Alaskan Native village]** *or Alaskan Native village* which performs substantial governmental functions. Such term

does not include the government of a township area unless such government performs substantial governmental functions.

For the purpose of paragraph (4)(D), the Secretary of Labor shall, notwithstanding any other provision of law, continue to make determinations with respect to the rate of unemployment for the purposes of such title VI.

The accompanying bill would amend Sec. 204 of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

SEC. 204. Each State and local government shall use payments made under this title for the maintenance of basic services customarily provided to persons in that State or in the area under the jurisdiction of that local government, as the case may be. State and local governments may not use emergency support **[grants]** *payments* made under this title for the acquisition of supplies and materials and for construction unless such supplies and materials or construction are to maintain basic services.

The accompanying bill would amend Sec. 210(c)(1) of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

(c) TERMINATION.—No amount shall be paid to any State or local government under the provisions of this section for any calendar quarter if—

(1) the average rate of unemployment within the jurisdiction of such State or local government during the most recent calendar quarter which ended three months before the beginning of such calendar quarter was less than 4.5 percent, **[and]** *or*

(2) the rate of unemployment within the jurisdiction of such government for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 4.5 percent.

CHANGES IN THE EXISTING LAW

The Committee concurs with the House in the inclusion of the following technical corrections in Title II of the Public Works Employment Act of 1976. The proposed changes contained in Sec. 201 of the General Provisions have been cleared with legislative committees of both the House and Senate:

(a) The bill changes the word "and" to "or" for sec. 202 of the authorizing legislation relating to termination of authorization for appropriations. Instead of requiring both that the average rate of national unemployment not exceed six percent during the most recent calendar quarter ending three months before the beginning of such calendar quarter, and that the rate for the last month of such quarter not exceed

six percent, the change will provide that when either condition is met, instead of the dual requirement, assistance is terminated.

(b) The bill extends the time provisions as required by sec. 203(c)(3)(C)(ii) for a State to submit an allocation plan from 30 days to 90 days after the effective date of the program. This technical change is clearly intended and corrects conflicting time requirements of the basic legislation.

(c) The bill deletes "of" and inserts "or" to correct a definition contained in sec. 203(c)(4)(E)(ii) relating to the recognized governing body of an Indian tribe or Alaskan Native village.

(d) The bill changes the word "grants" to "payments" in sec. 204 to more precisely describe the emergency support to be provided.

(e) The bill changes the word "and" to "or" for sec. 210 of the authorization legislation relating to termination of authorization for payments to any State or local government. Instead of requiring that the average rate of unemployment of such State or local government exceed 4.5 percent during the most recent calendar quarter ending three months before the beginning of a calendar quarter, and that the rate for the last month of such quarter be not less than 4.5 percent, the change provides that when either condition is met, instead of the dual requirement, authorization is terminated.

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY ESTIMATES AND AMOUNTS
RECOMMENDED IN THE BILL**

Department or Activity	Budget estimate	House bill	Senate Committee recommendation	Committee compared with—	
				Budget estimate	House bill
CHAPTER I					
DEPARTMENT OF COMMERCE					
ECONOMIC DEVELOPMENT ADMINISTRATION					
Local public works.....		\$2, 000, 000, 000	\$2, 000, 000, 000	+\$2, 000, 000, 000	-----
CHAPTER II					
DEPARTMENT OF THE TREASURY					
OFFICE OF THE SECRETARY					
OFFICE OF REVENUE SHARING					
Antirecession financial assistance fund.....		1, 250, 000, 000	1, 250, 000, 000	+1, 250, 000, 000	-----
Salaries and expenses.....		1, 633, 000	1, 633, 000	+1, 633, 000	-----
INDEPENDENT AGENCIES					
ENVIRONMENTAL PROTECTION AGENCY					
Construction grants.....		200, 000, 000	700, 000, 000	+700, 000, 000	+\$500, 000, 000
Abatement and control.....		800, 000	800, 000	+800, 000	-----
Total.....		3, 452, 433, 000	3, 952, 433, 000	3, 952, 433, 000	+500, 000, 000

MINORITY VIEWS OF SENATORS WILLIAM PROXMIRE,
MILTON R. YOUNG, ROMAN L. HRUSKA, AND HENRY
BELLMON

This Appropriations Act will not accomplish what it is intended to do. It will not create, in the short term, a meaningful number of new jobs to alleviate unemployment in the construction industry or in other sectors of the economy where unemployment rates are highest. While any legislative effort to improve employment opportunities at a time when unemployment is unacceptably high is to be applauded and should be supported, this Act will not have that effect.

Some quotes from testimony taken by the Senate HUD-Independent Agencies Appropriations Subcommittee on August 26, 1976 from the Environmental Protection Agency are devastating to the argument that the Act would create waste treatment construction jobs in the short term, as follows:

In the main, jobs created by this program would not come on line for at least 9 to 15 months from the time funds are appropriated. A large number of the jobs will not become available until even later than that.

Furthermore, there are ample funds now available for wastewater treatment plant construction grants for which this Act would supply additional hundreds of millions of dollars. To again quote from the EPA testimony:

. . . under our current program we have an unobligated balance of nearly \$7.0 billion available for use before September 30, 1977. In comparison, we obligated only \$4.1 billion in FY 1976. The majority of the States will still have funds for this program, including most of the States with serious unemployment problems.

Finally, the following EPA testimony demonstrates the inequities that would result from allocations under this Act:

None of the New England States, where unemployment averages nearly nine percent, would receive funds. Other States with high unemployment which would receive no additional funds are New York, New Jersey, California, and Michigan. In fact, of the ten States with the highest unemployment, only two, Alaska and Florida, would receive significant funds under Title III of this Act. On the other hand, some States with relatively low unemployment . . . would receive substantial sums.

In addition, neither the Department of the Treasury nor the Committee on Appropriations can currently determine how the funds provided to the Treasury in this bill will be allocated or spent. Undoubtedly, Department of Labor statistics can be compiled earmarking the areas of highest unemployment, but after this time-consuming

exercise and the formulation of a mechanism to effect allocations, neither the law nor this Appropriations Act is clear as to how State and local economization assurances, required by the Act, are to be determined. Nor is there a clear interpretation of the requirement that township recipient governments "perform substantial governmental functions" in order to be eligible for funds. There is a good possibility that the antirecession funds provided will be used for marginal activities and in many instances will not produce jobs in significant number. The Act pumps money into States and localities for the hiring of public employees without any effective controls over the way the money is to be used. For example, it is conceivable that a community could utilize all the money at its disposal just for pay raises. In such a case the funds would not add a single man or woman to the work force.

Should the Congress pass this bill the resulting additional outlay of funds may very well come at a time when it will actually be harmful to the economy, contributing to inflationary pressures rather than combatting recessionary unemployment problems.

WILLIAM PROXMIRE.
MILTON R. YOUNG.
ROMAN L. HRUSKA.
HENRY BELLMON.

ADDITIONAL VIEWS OF SENATOR ROMAN L. HRUSKA

House and Senate Appropriations Committee hearings on this legislation, (H.R. 15194), support and substantiate the President's July 6 veto of the Public Works Employment Act of 1976. In that veto message, President Ford listed five basic reasons for his action. Recapitulating, those reasons were:

First, it created an intolerable addition to the budget.

Second, while the bill's sponsors estimated that it would create 325,000 new jobs, other estimates indicated that at the most some 160,000 workyears of employment would be created over a period of several years.

Third, the bill would create few new jobs in the immediate future.

Fourth, the cost of producing jobs under the bill would have been intolerably high, in excess of \$25,000 per job.

Fifth, it would be inflationary because Federal spending would be increased with a resultant budget deficit of \$1.5 billion in 1977 alone.

These reasons are equally valid when applied to H.R. 15194.

Passage of this appropriations bill will create an administrative nightmare for the Economic Development Administration of the Department of Commerce. Two billion dollars worth of project decisions will have to be made within 60 days. New bureaucrats, both in the field and in Washington, will have to be hired to cope with the applications and blizzard of paperwork. It has been estimated that EDA could receive 6,000 project applications—that would mean approval of over 100 applications per day for two months with each application accompanied by a favorable Environmental Impact Statement. Can anyone seriously believe that 6,000 favorable Environmental Impact Statements can be acquired within 60 days? This appropriation is intended to create jobs, and create jobs it will but far too many of the jobs will be in Washington.

Potential projects that could be funded range all the way from the modernization of tennis courts to the construction of a complex sewer system for a major municipality. There is the rub. Local officials can delay any projects ready for bid in order to apply for funding under this program. If EDA is unable to make a decision on an application within 60 days, the application is automatically approved. Therefore, this appropriation may not create any new jobs. It may just substitute Federal money for local money, and there is no way EDA can assess how much of that is going to occur.

Recent data reported by the Commerce Department shows that construction expenditures have increased more than \$2 billion dollars from May to June, 1976, to a level prevailing in 1973. The economy, including the construction industry, is expanding rapidly as evidenced by the leveling in the inflation rate, interest rates, and the overall downward trend in unemployment rates. Notably, national employment is at the highest level in our history.

Pump-priming the construction industry, as proposed in this legislation, will provide relatively few jobs for the hardcore unemployed who are generally unskilled. Construction in general has a low degree of labor intensity and generally requires a greater share of skilled labor. Past studies have shown that countercyclical public works programs have been poorly timed, and have provided few employment opportunities for the unemployed. The impact of this appropriation would appear to be supportive of the inflationary policy of this Congress.

This appropriation is economically irresponsible. No new job opportunities are going to be created this year. Instead, the wage earner desperately trying to make ends meet must suffer the inflationary consequences of the Federal government borrowing more billions of dollars. This appropriation is nothing more or less than a cruel election year illusion.

ROMAN L. HRUSKA.



PUBLIC WORKS EMPLOYMENT APPROPRIATIONS ACT

AUGUST 12, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MAHON, from the Committee on Appropriations,
submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 15194]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making public works employment appropriations for the period ending September 30, 1977, and for other purposes.

INTRODUCTION

The accompanying bill is recommended in response to the mandate of the House of Representatives of July 22, 1976, when, by a vote of 310-96, the President's veto of the Public Works Employment Act of 1976 was overridden. The action of the Committee honors the clear intention of an overwhelming majority of the Members of the House of Representatives that prompt consideration be given to providing appropriations to implement the provisions of the Act.

The principal thrust of the authorizing legislation is to provide immediate economic stimulus in those geographic areas experiencing high levels of unemployment. The legislation includes features to make Federal financial assistance available in areas as local conditions warrant.

THE CURRENT UNEMPLOYMENT SITUATION

Eighteen months ago the Nation was experiencing the sharpest rise in unemployment since the Great Depression of the 1930's. Unemployment has now remained higher over a longer period than any time

since World War II. Currently, overall national unemployment is 7.8 percent. While there have been some modest improvements, unemployment rates continue to be unacceptably high. The improvements that have occurred have been discouragingly slow and have not been shared equally in all sectors of the economy and in many areas of the country.

Appropriations recommended in this bill are for programs designed to provide immediate assistance where the downturn in the economy has hit hardest and has persisted.

SUMMARY OF THE BILL

The accompanying bill contains a grand total of \$3,452,433,000 in new budget authority including appropriations of \$2,000,000,000 to the Economic Development Administration of the Department of Commerce for grants for various State and local public works projects; \$200,000,000 to the Environmental Protection Agency for additional waste treatment works construction grants; and \$1,250,000,000 to the Department of the Treasury for an antirecessionary program of revenue sharing. Also included in the bill is a total of \$2,433,000 in new budget authority for certain related administrative expenses.

The Committee continues to believe that in funding Federal programs for the purpose of combating inflation, emphasis should be directed to programs providing productive jobs that increase the wealth of the Nation and create tangible results. Expenditures for programs which simply result in making more money available without increasing the Nation's output of goods and services tend to aggravate inflationary pressures.

The Committee is concerned that funds contained in the bill be utilized in a timely manner and urges the Administration to move forward with the programs involved as quickly as possible.

In preparing the bill, the Committee has utilized its existing subcommittee structure. Information concerning the recommendations of the Committee appear under the two substantive chapters in this report and additional details may be found in the printed record of the hearings conducted by the Committee.

INFLATIONARY IMPACT STATEMENT

Pursuant to the requirements of clause 2(l)(4) of rule XI of the House of Representatives, the Committee estimates that enactment of this bill will have relatively little measurable impact on prices and costs in the operation of the national economy if the expenditures provided for in the bill flow in the timeframe envisioned in the basic legislation, and other Federal spending is not increased significantly above what is currently estimated.

The impact of this spending must be analyzed against the economic situation in which it is occurring, the deficit and surplus condition of the Government at the time, and the sectors of the economy on which the spending may impact.

Serious unemployment problems continue to plague segments of the economy, particularly the construction industry. While total national unemployment has generally ranged in the 7 percent and 8 percent

brackets in the last 18 months, unemployment in the construction industry, for instance, has ranged between 15 percent and 23 percent.

The funds provided in this bill for EDA and EPA will impact the construction segment of the economy—one of the hardest hit in the recession and one which is still recovering slowly. The following table shows the construction industry employment since February 1974:

EMPLOYMENT IN THE CONSTRUCTION INDUSTRY¹

	[In thousands]			
	February 1974	June 1974	June 1975	June 1976
General building contractors.....	1,280	1,240	1,030	999
Heavy construction contractors.....	813	771	681	656
Special trade contractors.....	2,033	1,961	1,681	1,682
Total contract construction.....	4,116	3,969	3,392	3,393
Unemployment rate (percent).....	8.4	10	20.5	17.0

¹ Detail will not add to total because of seasonal adjustment computations.

The unemployment rate in the construction industry in February 1974 stood at 8.4 percent with construction employment at 4.1 million workers, the highest employment level thus far in the 1970's. However, by June of 1975, construction employment had dropped to 3.4 million—a decrease of over 700,000 jobs—and the construction unemployment rate had soared to 20.5 percent. Thus, in a 16-month period, in terms of February 1974 peak employment levels, construction suffered a 17.8 percent labor force reduction. Although the employment picture is slowly improving, the June 1976 figures represent a 17.6 percent drop from the February 1974 employment level. The greatest decrease—350,000—is in the special trade contractor component of the construction area, which includes subcontractors such as plumbers, painters, carpenters, plasterers, electricians and related trades. The next largest drop—281,000—is in the general building contractor area, and the smallest decrease—157,000—is in the heavy construction contractor area.

The public works funds provided in this bill would go mostly to the areas in the construction field that have been hardest hit. The unemployment rate in the construction area rose to 17.7 percent in July, an increase of .7 percent. This is the second month in a row that the rate has increased. Since May, the rate has increased 3.7 percent.

The principal cause for concern about the inflationary impact of spending in this bill arises from the overall magnitude of projected Federal debt. However, to the extent that this bill, through the creation of productive jobs, generates economic activity in sectors of the economy and areas of the country where supply exceeds demand, the Committee believes it should not have a measurable inflationary impact.

Further information and analysis of the spending proposed in this bill can be obtained in other parts of this report and in the hearings conducted in developing the bill.

CHAPTER I

SUBCOMMITTEE ON DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY AND RELATED AGENCIES

JOHN M. SLACK, West Virginia, *Chairman*

NEAL SMITH, Iowa
JOHN J. FLYNT, JR., Georgia
BILL ALEXANDER, Arkansas
YVONNE BRATHWAITE
BURKE, California
JOSEPH D. EARLY, Massachusetts

ELFORD A. CEDERBERG,
Michigan
MARK ANDREWS, North Dakota
CLARENCE E. MILLER, Ohio

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

LOCAL PUBLIC WORKS PROGRAM

The Committee recommends an appropriation of \$2,000,000,000, the full amount authorized, to carry out Title I of the Public Works Employment Act of 1976 (Public Law 94-369 of July 22, 1976). In addition, the Committee recommends that, of the total amount provided, not to exceed \$10,000,000 may be used for necessary administrative expenses, including expenses for program evaluation by the Secretary of Commerce.

Title I, the Local Public Works Capital Development and Investment Act of 1976, authorizes the Secretary of Commerce, through the Economic Development Administration, to make grants to State and local governments for public works projects through three programs, as follows:

Direct grant program.—Provides 100 percent Federal funding for construction, renovation, repair or other improvement of public works projects, including but not limited to projects for which Federal financial assistance is authorized under provisions of law other than Public Law 94-369. In addition, funding is authorized for the completion of plans, specifications, and estimates for local public works projects where either architectural design or preliminary engineering or related planning has already been undertaken and where additional work of this type is needed to permit construction.

Supplemental grant program.—Provides grants for the purpose of increasing the Federal matching share of any federally assisted public works project to 100 percent where such Federal financial assistance is immediately available.

Grant program for projects authorized by State or local law.—Provides grants for all or any portion of the State or local share of any public works project authorized by any State or local law. However, such a grant may not provide both the State and local share. In addition, the matching share must be immediately available and construction of the project not yet started.

The Act prohibits grants for projects which would affect natural watercourses, projects which would include acquisition of interests in real property, or which would include the funding of project maintenance costs. The Act also provides that applications for funding must demonstrate that, if approved, on-site labor can begin within 90 days. In addition, priority must be given to public works projects of local governments.

Eligible applicants for grants include States and local governments, including cities, counties, towns, parishes or other political subdivisions of a State, and Indian tribes. Projects must be in areas with an average unemployment rate of 6.5 percent or more for the three most recent consecutive months for which data are available. Seventy percent of all appropriated funds must be allocated for projects submitted by areas whose average unemployment rate exceeds the national unemployment rate of the three most recent consecutive months for which data are available. Of the remaining 30 percent, priority must be given to applications from areas experiencing average unemployment rates in excess of 6.5 percent, but less than the national rate for the three most recent consecutive months for which data are available. At least one-half of 1 percent, but not more than 12.5 percent of the funds appropriated, shall be granted for projects within any one State. Guam, the Virgin Islands, and American Samoa together will not receive less than one-half of 1 percent.

With respect to program administration, the Secretary of Commerce is required under the Act to prescribe rules and regulations within 30 days of enactment. In addition, applications for funding must be acted on within 60 days of receipt. If no action is taken within the prescribed time, applications are deemed to be approved.

The purpose of title I of this legislation is to help alleviate the problem of unemployment throughout the Nation, and to assist States and local governments in building needed public facilities. The economy in the past 18 months has experienced its greatest decline since the Great Depression. While some modest strides have been made toward recovery in recent months, the national unemployment rate remains at an unacceptably high level of 7.8 percent. The appropriation of \$2 billion provided for the local public works program in this bill is designed to provide immediate assistance to an area of the economy which has been a major victim of the current downturn—the construction industry. Unemployment in the construction sector of the economy reached 17.7 percent in July—more than twice the national average. Although testimony presented to the Committee by the Economic Development Administration indicated uncertainty as to the number of projects that would be eligible for funding in the foreseeable future, the Committee recommends the appropriation of the full \$2 billion to assure that the necessary funds are available to meet the demand.

The Committee is deeply concerned about the costs of administering the program. The objective of the local public works program is to put people to work. Overhead costs and the hiring of additional administrative personnel should be kept to the absolute minimum. The Committee has provided that not to exceed \$10 million, which is one-half of 1 percent of the total amount appropriated, may be used for administrative expenses. This amount also includes expenses for monitoring grants and for program evaluation by the Office of the Secretary of Commerce.

EDA officials testified that, in establishing rules and regulations to carry out the legislation, they intend to place a general limitation of \$5 million on the Federal share of any project funded under this appropriation with a provision for certain exceptions for projects which would exceed that amount. The purpose of such a general limitation would be to ensure an equitable distribution of the funds available. The authorizing legislation, Public Law 94-369, does not contain any limitation on the total dollar cost or the amount of the Federal share of an individual project funded under the Act.

The Committee believes that there is merit in setting a limitation on the amount of the Federal share of each project in order to provide for an equitable distribution, throughout the entire Country, of the funds available for this program. However, the Committee would urge that EDA, in establishing regulations for the administration of the program, provide the flexibility necessary to fund needed public works projects which may exceed to some extent any general limitation, and at the same time secure the maximum number of jobs with the funds available.

The Committee wants to assure that this program principally benefits those unemployed in the area for which projects are approved. Consequently, language was inserted in this appropriation bill to reaffirm the intention of the Congress in passing the legislation provided in Section 108(e) of the Public Works Employment Act of 1976. The Committee expects the Secretary of Commerce to make every effort to assure that those persons put to work on projects are both unemployed and reside in the immediate area.

CHAPTER II

SUBCOMMITTEE ON HOUSING AND URBAN DEVELOPMENT— INDEPENDENT AGENCIES

EDWARD P. BOLAND, Massachusetts, *Chairman*

JOE L. EVINS, Tennessee

GEORGE E. SHIPLEY, Illinois

J. EDWARD ROUSH, Indiana

BOB TRAXLER, Michigan

MAX BAUCUS, Montana

LOUIS STOKES, Ohio

YVONNE BRATHWAITE

BURKE, California

BURT L. TALCOTT, California

JOSEPH M. McDADE, Pennsylvania

C. W. BILL YOUNG, Florida

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

OFFICE OF REVENUE SHARING

ANTIRECESSION FINANCIAL ASSISTANCE FUND

The Committee recommends \$1,250,000,000, the full amount authorized, for Title II of the Public Works Employment Act of 1976 for general payments to State and local governments beginning July 1, 1976, and covering five calendar quarters. The authorization specifies that the payments shall total \$125,000,000 for each calendar quarter when the national seasonally adjusted unemployment rate reaches 6 percent. An additional \$62,500,000 is authorized for each one-half percentage point above 6 percent. One-third of the total provided is reserved to the States and two-thirds is reserved for local governments. Of the total recommended, \$312,500,000 is earmarked for the first quarter of the five-quarter authorization period. This amount is based on the national unemployment rate for the period January 1, 1976, through March 31, 1976. The balance of \$937,500,000 is made available for fiscal year 1977.

The Committee believes that the implementation of title II of the Public Works Employment Act should focus primarily on personal services rather than "brick and mortar" repairs, maintenance or construction. In the view of the Committee, these other items are addressed adequately in title I. Title II is designed to help State and local governments maintain basic governmental services that may not otherwise be available at adequate levels during economic recessions. Therefore, the Committee directs the Department of the Treasury, in developing its regulations, to prepare them in such a manner as to encourage State and local governments to use these funds primarily for payment of personal services.

(9)

The Committee also urges the Department to keep potential "red tape" encountered by State and local governments at an absolute minimum. The Department testified that a correct interpretation of the spirit of the Public Works Employment Act is to make available the funds to recipient governments as quickly as possible and without undue complications. In that context, the Committee urges that the Department prepare the necessary regulations in a manner that will facilitate efficiency and simplicity rather than bureaucratic red tape.

SALARIES AND EXPENSES

The Committee recommends \$1,633,000 for salaries and expenses, Office of Revenue Sharing, to fund approximately 30 additional positions and related expenses needed to administer Title II of the Public Works Employment Act of 1976.

No additional funds are recommended for funding or reimbursement to the Bureau of Labor Statistics. It is intended that data obtained for the Comprehensive Employment and Training Act (CETA) programs and otherwise available to the Bureau be utilized as a basis for this program. The Committee is concerned that attempts to develop additional data could result in substantial delay in implementing the program.

INDEPENDENT AGENCIES

ENVIRONMENTAL PROTECTION AGENCY

CONSTRUCTION GRANTS

The Committee recommends \$200,000,000 for waste treatment works construction grants in fiscal year 1977. This is that portion of the amount authorized in Title III of the Public Works Employment Act of 1976 which the Environmental Protection Agency indicates could be obligated in fiscal year 1977. This is because some States are still operating with large unobligated balances from funds already made available pursuant to the Federal Water Pollution Control Act Amendments of 1972. Consequently, many States will be unable to obligate significant amounts against their share of the \$700,000,000 authorized by Title III.

The Committee intends that the entire \$200,000,000 shall be allotted to those States which have exhausted previous authorizations. Such allotments shall not exceed the amount a State would be eligible to receive were the entire \$700,000,000 authorization available. Only the appropriated amount shall actually be allotted and obligated. This would permit those States with sufficient need to receive funds up to the amount they would be allocated were the \$700,000,000 appropriated. However, it avoids appropriating funds which would not actually be used in fiscal year 1977.

ABATEMENT AND CONTROL

The bill includes \$800,000 to fund an additional 40 positions to process and administer the \$200,000,000 in waste treatment facilities grants provided in this bill. The Committee is concerned that these

additional positions not be absorbed in the current employment ceiling and urges the Office of Management and Budget to allocate the necessary staffing.

TITLE II

GENERAL PROVISIONS

Section 201 of the bill includes technical amendments to the Public Works Employment Act of 1976 in five instances to correct the basic legislation. These are displayed under the heading in this report entitled "Compliance With Rule XIII—Clause 3". They are fully explained under the heading "Changes in the Application of Existing Law".

Section 202 of the bill carries language limiting the availability of funds to September 30, 1977, unless otherwise specified. Language of this nature is customarily carried in appropriation bills.

COMPARISONS WITH BUDGET RESOLUTION

In accordance with section 308(a)(1)(A) of the Congressional Budget Act of 1974 (Public Law 93-344), the following table provides comparisons between new budget authority set forth in the First Concurrent Resolution on the Budget, as allocated by the Committee on Appropriations under section 302 of the Act, and the fiscal year 1977 new budget authority contained in the accompanying bill:

Subcommittee/function	Sec. 302 allocation	Amount in prior appropriations	Committee bill	Amount (+) over allocation (-) under allocation
HUD—Independent agencies/300 Natural resources, environment, energy	\$5,016,318,000	\$973,405,000	\$200,800,000	-\$3,842,113,000
Undistributed/450 Community and regional development	900,085,000		937,500,000	+37,415,000
Total	5,916,403,000	973,405,000	1,138,300,000	-3,804,698,000

In addition, the bill contains \$2,314,133,000 in new budget authority to be made available immediately upon enactment.

FIVE YEAR PROJECTION OF OUTLAYS

In compliance with section 308(a)(1)(B) of the Congressional Budget Act of 1974 (Public Law 93-344), the following table contains 5-year projections of the outlays associated with the fiscal year 1977 new budget authority provided in the accompanying bill:

Budget authority, fiscal year 1977	\$1,138,300,000
Outlays:	
Fiscal year 1977	962,300,000
Fiscal year 1978	82,000,000
Fiscal year 1979	50,000,000
Fiscal year 1980	22,000,000
Fiscal year 1981	14,000,000

ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Pursuant to section 308(a)(1)(C) of the Congressional Budget Act of 1974 (Public Law 93-344), the fiscal year 1977 new budget authority and outlays provided by the accompanying bill for financial assistance to State and local governments are as follows:

Fiscal year 1977 new budget authority: \$1,137,500,000.
Fiscal year 1977 outlays resulting therefrom: \$961,500,000.

LIMITATIONS AND LEGISLATIVE PROVISIONS

The following limitations and legislative provisions not heretofore carried in connection with any appropriation bill are recommended:

On page 2, in connection with "Economic Development Administration, Local Public Works Program":

Provided, That not to exceed \$10,000,000 may be used for necessary administrative expenses, including expenses for program evaluation by the Secretary of Commerce: Provided further, None of the funds appropriated under this Chapter shall be available for any project where less than ten percent of the personnel to be employed on the project have currently resided for at least thirty days in the area used in determining project eligibility under Section 108(e) of Public Law 94-369 and have been currently unemployed for at least thirty days.

On page 3, in connection with "Environmental Protection Agency, Construction Grants":

Provided, That such funds shall be allotted to those States for which funds currently authorized by the Federal Water Pollution Control Act are no longer available, but where construction grant awards could continue if additional funds were made available: Provided further, That no State shall receive more than would be allotted it if the full authorized amount were being allotted.

On page 4, in connection with General Provisions:

SEC. 201. Title II of the Public Works Employment Act of 1976 (Public Law 94-369), authorizing foregoing appropriations, is amended as follows:

(1) Section 202(d)(1) is amended by striking out "and" at the end thereof and inserting in lieu thereof "or".

(2) Section 203(c)(3)(C)(ii) is amended by striking out "thirty days" and inserting in lieu thereof "90 days".

(3) Section 203(c)(4)(E)(ii) is amended by striking out "of Alaskan Native village" and inserting in lieu thereof "or Alaskan Native village".

(4) Section 204 is amended by striking out "grants" and inserting in lieu thereof "payments".

(5) Section 210(c)(1) is amended by striking out "and" at the end thereof and inserting in lieu thereof "or".

COMPLIANCE WITH RULE XIII—CLAUSE 3

The following is submitted in compliance with clause 3 of rule XIII of the House of Representatives.

The accompanying bill would amend Sec. 202(d)(1) of the Public Works Employment Act of 1976 (Public Law 94-369) by striking out (per brackets) and inserting (per italicized matter), as follows:

(d) TERMINATION.—No amount is authorized to be appropriated under the provisions of subsection (b) for any calendar quarter if—

(1) the average rate of national unemployment during the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent, [and] or

(2) the rate of national unemployment for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 6 percent.

The accompanying bill would amend Sec. 203(c)(3)(C)(ii) of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

(C) The amount set aside for the purpose of making payments to each local government, other than an identifiable local government, with the jurisdiction of a State under subparagraph (B) shall be—

(i) equal to the total amount allocated under paragraph (1) of this subsection for all local governments within the jurisdiction of such State which are treated as though they are one local government under subparagraph (A) multiplied by the local government percentage as defined in paragraph (2) (determined without regard to the parenthetical phrases at the end of paragraphs (4) (B) and (C) of this subsection), unless

(ii) such State submits, within [thirty days] 90 days, after the effective date of this title, an allocation plan which has been approved by the State legislature and which meets the requirements set forth in section 206(a), and is approved by the Secretary under the provisions of section 206(b). In the event that a State legislature is not scheduled to meet in regular session within three months after the effective date of this title, the Governor of such State shall be authorized to submit an alternative plan which meets the requirements set forth in section 206(a), and is approved by the Secretary under the provisions of section 206(b).

The accompanying bill would amend Sec. 203(c)(4)(E)(ii) of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

(E) the term "local government" means the government of a county, municipality, township, or other unit of government below the State which—

(i) is a unit of general government (determined on the basis of the same principles as are used by the Social and Economic Statistics Administration for general statistical purposes), and

(ii) performs substantial governmental functions. Such term includes the District of Columbia and also includes the recognized governing body of an Indian tribe [of Alaskan Native village] or *Alaskan Native village* which performs substantial governmental functions. Such term does not include the government of a township area unless such government performs substantial governmental functions.

For the purpose of paragraph (4)(D), the Secretary of Labor shall, notwithstanding any other provision of law, continue to make determinations with respect to the rate of unemployment for the purposes of such title VI.

The accompanying bill would amend Sec. 204 of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

SEC. 204. Each State and local government shall use payments made under this title for the maintenance of basic services customarily provided to persons in that State or in the area under the jurisdiction of that local government, as the case may be. State and local governments may not use emergency support [grants] *payments* made under this title for the acquisition of supplies and materials and for construction unless such supplies and materials or construction are to maintain basic services.

The accompanying bill would amend Sec. 210(c)(1) of Public Law 94-369 by striking out (per brackets) and inserting (per italicized matter), as follows:

(c) TERMINATION.—No amount shall be paid to any State or local government under the provisions of this section for any calendar quarter if—

(1) the average rate of unemployment within the jurisdiction of such State or local government during the most recent calendar quarter which ended three months before the beginning of such calendar quarter was less than 4.5 percent, [and] *or*

(2) the rate of unemployment within the jurisdiction of such government for the last month of the most recent calendar quarter which ended three months before the beginning of such calendar quarter did not exceed 4.5 percent.

CHANGES IN THE APPLICATION OF EXISTING LAW

The Committee submits the following statements in compliance with clause 3, rule XXI, of the House of Representatives, describing the effects of provisions proposed in the accompanying bill which may be considered, under certain circumstances, to change the application of existing law, either directly or indirectly.

1. The Committee has included language on page 2, under the heading "Local Public Works Program" that requires that at least 10 percent of the persons employed on a project be residents of the area for which a project is approved and have been unemployed for at least 30 days.

The Congress, in Section 108(e) of the Public Works Employment Act of 1976, intended that the local public works program principally benefit those unemployed persons in the areas for which projects are approved. The Committee has included the provision, described above, in the appropriation bill to reaffirm the intention of the Congress.

2. Provisions on page 3, in connection with construction grants, allot \$200,000,000 to those States which exhaust previous authorizations in fiscal year 1977 and limit those amounts to not more than would have been allotted if the full authorization were provided.

3. The following technical corrections are made in Title II of the Public Works Employment Act of 1976. The proposed changes contained in Sec. 201 of the General Provisions have been cleared with legislative committees of both the House and Senate.

(a) The bill changes the word "and" to "or" for sec. 202 of the authorizing legislation relating to termination of authorization for appropriations. Instead of requiring both that the average rate of national unemployment not exceed six percent during the most recent calendar quarter ending three months before the beginning of such calendar quarter, and that the rate for the last month of such quarter not exceed six percent, the change will provide that when either condition is met, instead of the dual requirement, authorization is terminated.

(b) The bill extends the time provisions as required by sec. 203(c)(3)(C)(ii) for a State to submit an allocation plan from 30 days to 90 days after the effective date of the program. This technical change is clearly intended and corrects conflicting time requirements of the basic legislation.

(c) The bill deletes "of" and inserts "or" to correct a definition contained in sec. 203(c)(4)(E)(ii) relating to the recognized governing body of an Indian tribe or Alaskan Native village.

(d) The bill changes the word "grants" to "payments" in sec. 204 to more precisely describe the emergency support to be provided.

(e) The bill changes the word "and" to "or" for sec. 210 of the authorization legislation relating to termination of authorization for payments to any State or local government. Instead of requiring that the average rate of unemployment of such State or local government exceed 4.5 percent during the most recent calendar quarter ending three months before the beginning of a calendar quarter, and that the rate for the last month of such quarter be not less than 4.5 percent, the change provides that when either condition is met, instead of the dual requirement, authorization is terminated.

MINORITY VIEWS OF HONORABLE CLARENCE E. MILLER

The three days of Committee hearings on this bill only served to validate and re-enforce the President's July 6 veto of the Public Works Employment Act of 1976.

PL 94-369 is the classic example of Congress promising that which cannot be reasonably delivered. If the nation's unemployed rest their hopes on working again with this kind of Congressional hocus pocus, then they are in store for bitter disappointment. The wage earner desperately trying to make ends meet is in for another inflationary shock when the \$4 billion cost of this bill starts rippling through the economy.

At best the Act supposedly will create 160,000 jobs, not the 325,000 jobs its sponsors projected, at a per job cost of \$25,000. Its impact will be felt neither now nor in the immediate future, but primarily in late 1977 and 1978 when the economy will be well advanced in its recovery stage. Finally, the money that will be borrowed to fund its provisions will stimulate inflation at a time when fiscal restraint is dictated.

More questions about the Act's implementation, cost, and effect were raised during the course of the Committee's hearings than were answered. The legislative intent may be clear to those who are going to administer the various titles but the Act's infrastructure is so handicapped and poorly conceived as to make implementation difficult if not impossible. For example, under title II it is unclear what unemployment data is to be used in the allocation formula, how the states are to accomplish intrastate allocations, which governmental units are eligible for funds, and how economization assurances are to be achieved. Even more fundamental to title II is what jobs are basic to the maintenance of local governmental services. Paradoxically, local school boards are not eligible for title II personal services funds but are eligible for title I construction funds.

The Act is replete with totally unrealistic time deadlines that will create an administrative nightmare. For example under title I within the initial sixty day review/approval period, among other requirements, a favorable Environmental Impact Statement must be obtained. Anyone who has had experience with an EIS knows that it can be a lengthy, complex undertaking certainly one that in many cases cannot be accomplished overnight or within two months. In addition, the requirement that ninety days after project approval construction must start does not take into account the inevitable challenges many bids are subjected to locally. The rub is that when a project does not start within ninety days, the Act requires the funds to be deobligated.

Because title I further requires that an application not processed and reviewed by EDA within sixty days is automatically approved, enormous pressure will be placed on the agency to push paper. With only cursory review the result may well be approval of constructions of questionable quality and solvency.

I am also concerned that smaller communities without the capability to gear up quickly and submit an application package within the sixty day review period under title I will be denied program participation regardless of the severity of its unemployment. Those political subdivisions well-advanced in the are of grantsmanship will fare much better in getting more than their share of the pot.

In addition, I think we will see the substitution of the easy 100% federal money under title I for local money that is readily available to do the same construction work as well as some double dipping into each of the title pots.

Too many unanswered questions about the Act remain to justify this appropriation. The Committee simply does not know how much it will cost to administer the program, how many new bureaucrats will be needed, how many applications will be received, what the paperwork burden will be, where the benefits will go, who will receive them and what their extent will be, and finally what the real inflationary impact will be.

What the Congress has created here are not new job opportunities but an election year illusion for the folks back home. No matter how politically expedient it may be, pumping \$4 billion the Federal Government does not have into the economy to produce a few \$25,000 jobs is still economically irresponsible.

CLARENCE MILLER.

Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

Making appropriations for public works employment for the period ending September 30, 1977, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for public works employment for the period ending September 30, 1977, and for other purposes, namely:

TITLE I

CHAPTER I

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

LOCAL PUBLIC WORKS PROGRAM

For expenses necessary to carry out title I of the Public Works Employment Act of 1976 (Public Law 94-369), \$2,000,000,000: *Provided*, That not to exceed \$10,000,000 may be used for necessary administrative expenses, including expenses for program evaluation by the Secretary of Commerce.

CHAPTER II

DEPARTMENT OF THE TREASURY

OFFICE OF THE SECRETARY

OFFICE OF REVENUE SHARING

ANTIRECESSION FINANCIAL ASSISTANCE FUND

For payments to State and local governments pursuant to title II of the Public Works Employment Act of 1976, \$312,500,000 for the period July 1, 1976, through September 30, 1976, and \$937,500,000 for the fiscal year 1977, in all, \$1,250,000,000, to remain available until September 30, 1978.

SALARIES AND EXPENSES

For an additional amount for necessary expenses in the Office of Revenue Sharing, \$1,633,000, to remain available until September 30, 1977.

H. R. 15194—2

INDEPENDENT AGENCIES
ENVIRONMENTAL PROTECTION AGENCY

CONSTRUCTION GRANTS

For necessary expenses for the fiscal year 1977 to carry out title II of the Federal Water Pollution Control Act, other than sections 206, 208, and 209, as authorized by title III of the Public Works Employment Act of 1976, \$480,000,000, to remain available until expended.

ABATEMENT AND CONTROL

For an additional amount for fiscal year 1977 for abatement and control activities, \$800,000, to remain available until September 30, 1978.

TITLE II

GENERAL PROVISIONS

SEC. 201. Title II of the Public Works Employment Act of 1976 (Public Law 94-369), authorizing foregoing appropriations, is amended as follows:

(1) Section 202(d)(1) is amended by striking out "and" at the end thereof and inserting in lieu thereof "or".

(2) Section 203(c)(3)(C)(ii) is amended by striking out "thirty days" and inserting in lieu thereof "90 days".

(3) Section 203(c)(4)(E)(ii) is amended by striking out "of Alaskan Native village" and inserting in lieu thereof "or Alaskan Native village".

(4) Section 204 is amended by striking out "grants" and inserting in lieu thereof "payments".

(5) Section 210(c)(1) is amended by striking out "and" at the end thereof and inserting in lieu thereof "or".

SEC. 202. No part of any appropriation contained in this Act shall remain available for obligation beyond September 30, 1977, unless expressly so provided herein.

This Act may be cited as the "Public Works Employment Appropriations Act".

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

OCTOBER 2, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have signed H.R. 15194, the Public Works Employment Appropriations Act of 1976.

In July I vetoed the authorizing legislation which made this \$3.95 billion appropriation necessary. I said then, and I still believe, that these funds will not create lasting jobs but will create new inflationary pressures.

I said then, and I still believe, that the best and most effective way to create new jobs is to pursue balanced economic policies that encourage the growth of the private sector without risking a new round of inflation.

Congress rejected my veto. This Congress has not recognized the fallacy of having the American taxpayer finance pork-barrel projects and make-work jobs. Congress refuses to recognize the inflationary risk in this Public Works Appropriation.

However, another confrontation with Congress on this bill is pointless.

We must nevertheless continue to challenge the Congress on the underlying principle of this pork-barrel, make-work legislation.

I am therefore signing H.R. 15194 and directing the appropriate departments of this Administration to make, over the next year, a careful month-by-month audit of expenditures under this Appropriation to determine just how many jobs are created, how much it costs the taxpayer to create each job, and just what impact there is on inflation.

In accepting this Appropriation, I call upon the Congress to request the General Accounting Office to conduct a parallel audit of the results of this legislation. This is an expensive test but Congress will not see the fallacy of its approach until we can show through an audit what we know to be the facts.

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