

**The original documents are located in Box 49, folder “1975/07/25 - George Saunders” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

MEETING WITH GEORGE SAUNDERS  
FRIDAY, JULY 25, 1975  
JMC'S OFFICE

THE WHITE HOUSE  
WASHINGTON

Geo. Saunders

John Brooks

Peoples -

Buy Mex votes -

In that group -

of voters

~~RO~~

RAEUNIDAS

Women in town -

in Washington City -

Crystal City - County seat

Avalla Co - 5000

voters every job in county

ex - the of

Angel Gonzalez -

operation

Talk III just



In the Eyes

Henry Gonzalez

Against RAZVIMONS

Run as independent

Run to Cuba

---

Wilson Voluntary

Types:

Types to Liberty



including two funds.

Gen. Delpu Pascoe

B. K. Stinson

---

Got a 60,000 over Ranch

---

Trying to break up holders

Using money channeled  
out of HEW.

EOpenditure for about 30%  
w/pe  
Pumping money  
through over states.

clude one in HEW.

Audit - to other States where money is going.

\*  
\*



Due to the continued conflict in Zavala County regarding the allocation and expenditure of federal funds I have instructed my staff to investigate problems that may exist. We have identified three notable cases of irregularity and discrepancy and have outlined them below. There may well be more.

As a general observation, Zavala County has received particular amounts of federal funds vastly out of proportion to its neighboring counties -- and even most counties in the state. It has also experienced obvious preferential treatment from federal agencies in the funding and oversight of projects. Two factors may account for this. First, in cases where the local government must take the initiative by applying for federal funds, the government officials in Zavala have been aggressive in seeking out programs for which the county might qualify. The second factor is that Zavala is an ideal pilot area for trying out federal programs; it has a high percentage of poverty-stricken and minority population. Although local and regional representatives may not have favored grants for Zavala, federal officials may have intervened in support of selected programs. Because the county and school district officials are affiliated with the La Raza Unida Party, federal officials may have viewed the county as an area that would align itself with the Republican Administration or conflict with the Democrats because it is in a state dominated by the Democratic Party.

One case of interest involves the Family Health Center Program, administered by the Zavala County Health Association. The program was originally funded by OEO and HEW to provide pre-packaged health benefits to the county's poor population. However, from the start, the project has been shrouded in controversy. First, it has experienced difficulty in spending all the funds allocated to it. Its initial grant period was for July 1, 1972 to October 31, 1973, and the grant was set at \$374,908. On October 26, 1973, the project was approved for an extension of its budget period until January 31, 1974. On February 7, 1974, a second extension, until April 30, was approved. At the end of April, the total expenditures for the period -- which was at that point 21 months -- were \$339,604, leaving an unexpended balance of \$35,304.

Second, the project director, Mrs. Gutierrez, has been the center of controversy. Originally considered professionally unqualified by HEW and others to fill this position, she has nonetheless managed to remain the director. As wife of the County Judge, who is the founder of the La Raza Unida party, she has maintained strong local political support. During the first 21 months of the project, the salary of the executive director (as it was then called) was at the rate of \$28,000 per year. The assistant executive director was salaried at \$20,000. The present HEW regional office project managers, who were not involved at that time, could not believe this salary figure -- even when presented with the fact that the information came from their own records. Her salary was subsequently lowered to \$18,000 and then raised to her current level of \$20,000 per year, which is still grossly disproportionate to those of other public servants in this area.

Third, the project has not had an admirable record with regard to serving clients. In the initial budget period of 21 months, when the project expended \$339,604, only \$67,794 was expended for what was called "patient care". It is possible that some part of what the project called "consultant services" could have been used for health care also. However, even if we consider all funds expended for "patient care" and "consultant services" as funds for direct services -- and we give them the benefit of the doubt on this -- the total is \$96,546, or 28 percent of the budget.

Fourth, the project has suffered from lack of an adequate facility for the delivery of health services. Part of its initial grant was for the construction of a \$227,000 facility. The Gubernatorial veto of the OEO portion of the grant -- mainly for the facility -- was overruled, as was the recommendation of a special OEO advisory committee appointed to study the situation. As a result, work on the facility began. However, after \$22,500 in architectural fees for the work-up and \$140,000 in contractor fees for building had been paid, the contractor defaulted and the bonding company declared bankruptcy.

Fifth, the project has curiously never had difficulty in getting funding at extremely liberal levels. HEW has been given substantial justification for not re-funding the program:

- A. The director has been the object of controversy for a lack of professional qualifications while earning \$28,000 and later \$20,000 per year in one of the poorest counties in the United States;
- B. The project has had difficulty in spending its allocated funds and had an unexpended balance of \$35,304 after its first year's budget was extended to 21 months; and
- C. The project has spent only 28 percent of its resources on the people it is in existence to serve.



Yet the Family Health Center Program was approved for \$686,135 -- a near doubling of its budget -- for fiscal 1975, and \$928,918 for fiscal 1976. (The fiscal 1976 grant includes \$250,000 for the facility that was designed by the original architects of the uncompleted one -- the same plans are in use -- even though it was originally to cost \$227,000, \$140,000 of which was already supposedly used for construction three years ago. This year's grant application submitted by the Family Center Program did not even include the request for these funds.)

A second case relates to land assessment in Zavala County. In 1970, although Zavala County was in (a) the upper 10 percent of all counties in the state in the percentage of its farmland under irrigation, (b) the upper 10 percent of all Texas counties in the number of acre feet of water used for irrigation, (c) the upper 21 percent of counties in the percentage of its cropland harvested, and (d) the upper half of counties in the amount of crude oil produced, it was 222nd out of 254 counties -- in the lowest 13 percent of counties -- in its official assessed value per acre, \$17.60. We have attempted to update these figures. The information could not be obtained, however, because Zavala County was the only county that refused to report the assessed property value for its school districts for the survey relating to school equalization.

Deflated assessed property values set the stage for local politically-motivated discrimination against selected landowners. We have heard rumors of instances of individuals unsympathetic to the La Raza Unida Party having their property taxes increased at the discretion of local La Raza-County Officials.

A third case illustrates discrepancies in federal funding approved for education in Zavala County. The Crystal City I.S.D. was the only school district south of San Antonio to receive funds for an Educational Personnel Development grant under the Urban-Rural Schools Development program. In FY 1974, Crystal City I.S.D. received \$125,000 out of \$1,058,000 allocated for the entire state. This means that one district out of the 1,100 in Texas received 12 percent of the program funds for the entire state.

The Texas Education Agency, which was responsible for submitting the names of eligible school districts to the Office of Education (OE) at HEW, recommended the Edgewood District in San Antonio. The Crystal City I.S.D. was not recommended by TEA and directly requested consideration by OE. As a result, both Edgewood and Crystal City were funded under the program by OE. The non-federal team that determined which schools would be designated as target schools selected all of the schools in the Crystal City I.S.D. and only one of the schools in the Edgewood I.S.D.

The Crystal City Independent School District received \$242,012 for the 1974-75 school year for its bilingual education program, funded under Title VII - Emergency School Aid. In addition, as of January 1975, the district received a supplementary grant of \$243,733 for a secondary school program. Crystal City I.S.D. has received Title VII funds since 1971 for a cumulative total of \$1,009,075. Of the ten school districts in Zavala County and the four surrounding counties, the Eagle Pass I.S.D. was the only other school district to receive a grant. Eagle Pass I.S.D. has received a cumulative total of \$221,540 since 1972.

Individual school districts apply directly to OE for the bilingual education grants. In the past, TEA has reviewed and commented on the applications to OE. Because it appeared that comments submitted did not affect the allocations made, TEA discontinued this process altogether, out of frustration, for the 1975-76 school year. The information received by TEA regarding supplementary grants indicated originally that districts already receiving funds could not qualify for supplementary benefits. When the final allocations were made, however, Crystal City I.S.D. received a supplementary

grant in addition to its regular grant. The explanation given by OE was that the supplementary program would reach a new target population in the secondary schools.

One additional point that should be noted regarding Title VII funding is that the former superintendent of the Crystal City I.S.D., Angel Gonzales, is now the Program Operations Branch Chief for Title VII funds at OE.

An analysis of the total federal expenditures in Zavala County indicates that in the past Zavala received more funds per capita than the four surrounding counties. During the period from 1970 to 1974, however, federal expenditures per capita declined by 28% in Zavala while the four surrounding counties showed an increase that ranged from 13% in Maverick County to 300% in Dimmitt County. From these figures, it appears that Zavala's overall share of federal money has not been disproportionate. In education in Zavala, however, the Crystal City Independent School District has received federal categorical grants that were not received by the other four counties. The estimated expenditure of federal funds per school age child in Zavala County is from 152% to 315% higher than in the neighboring counties, and 5 times the average federal expenditure per school age child in the State of Texas.

Zavala County has discrepancies and irregularities with regard to the federal funding and oversight of some of its projects and some patterns of county and project administration. In view of this, the situation merits further investigation.

