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ECONOMIC DEVELOPMENT

- o Lack of Federal economic development goals and objectives
- o Proliferation of programs affecting economic development
- o Reexamination of EDA's investment strategy
- o Optimal levels of funding for EDA including new program authorities
- o Demand for Local Public Works Capital Development and Investment Program Funds
- o Use of EDA's Title I Funds for the 1980 Winter Olympics



LACK OF FEDERAL
ECONOMIC DEVELOPMENT GOALS AND OBJECTIVES

I. Background

When Congress passed the Housing and Urban Development Act of 1970, the legislation contained a mandate for a biennial Presidential Report on national growth which would attempt to define a national growth policy. Three reports, 1972, 1974 and 1976, have been issued. Each of these is oriented toward a description of growth and of development problems. None has provided a design or direction for an overall national economic development policy which would attempt to rationalize and coordinate the multiplicity of federal programs designed to facilitate subnational economic development.

II. Issue

Presently, there are no explicit federally designated overall economic development goals and objectives for the United States. The only guidelines which exist are very generalized objectives for the performance of the national economy.

III. Analysis of the Issue

There are no national policies on population distribution. However, a myriad of policies which affect these issues and their regional impacts presently are implemented in ways which reflect little or no understanding of spatial and economic development impacts.

The effects of these fragmented programs, legislated and administered without reference to national goals and overall economic development objectives, are often counter-productive to regional and local efforts to facilitate economic development. For example, a national program of investment credits on new housing designed to stimulate the construction industry, can more than offset the efforts of Federal, State and local government to revitalize deterioration residential districts in cities. The same effect occurs from programs which create incentives for construction of new sewage and water facilities, but which make no provision for the upgrading and maintenance of existing facilities in older sections of cities.

Under a system of clearly articulated national goals and priorities, programs could be designed and coordinated



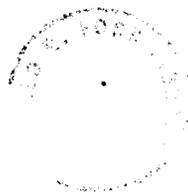
to achieve maximum impact on not only the specific and more narrowly focused goals such as energy and urbanization, but also on related broader goals such as regional economic development. This approach would not only avoid conflicting policies which have detrimental cross-impacts, but would permit these policies to mutually enhance and reinforce one another in the effort to achieve balanced regional economic growth and welfare.

IV. Schedule

During the past fiscal year, EDA has approved a number of research projects that will serve as future agency policy and operational guides. These studies identify and quantify both present and future economic development needs and the nation's physical, fiscal, institutional and manpower capacities. These analyses can serve as the basis for effective policy formulation for not only EDA but also for the establishment of a comprehensive national economic development effort.

V. Appendix

Research projects concerned with Sub-national problems and Remedial policies and programs.



Research Projects Connected with Sub-National
Problems and Remedial Policies & Programs,

FY 1976 & 1977

<u>Grantee/Contractor</u>	<u>Topic Description</u>	<u>Status</u>
Resources for the Future	<u>High Plains Project</u> A study to identify the actions necessary to assist the States of Texas, Oklahoma, Kansas, Nebraska, Colorado and New Mexico to overcome the known economic problems that will adversely affect that region with the loss of the irrigated agricultural base due to the depletion of the High Plains ground irrigation <u>water reserves .</u>	Study Design Completed, August 1976. Major study scheduled for funding in FY '77.
University of Arkansas	Formulate a set of policy and options and strategies that will accomodate environmental and development requirements of economically depressed sub-national <u>areas.</u>	Phase I will be completed Dec. 31, 1976. Grant to be re-funded for one year, beginning Jan. 1, 197
Oak Ridge National Laboratory	Seven year estimates of the net supplies by form of energy available for individual States' Economic Development Programs.	Initial phase completed. Second phase will be funded during FY 1977.



Grantee/Contractor

To, Description

Status

Northeastern Development Project
(Grantee not selected)

An analysis of the research and knowledge gaps about the changing character of the economy of the Northeastern United States. Study will identify a strategy which will meet future development needs of this region.

Completed initial study design and in process of selecting grantee.

Southern Growth Policies Board
Conference

The future of the South's Economy

Conference planned for December 15-18, 1976.

American Institute of Planners

Economic Development Through State Planning. Inventory of state planning capabilities in economic development planning.

Completed August 1976.

Rand Corporation

The Demographic Structure and Implications of Nonmetropolitan Growth Since 1970. Analysis of the extent of the economic revival of non-metropolitan economic growth and the policy implications for EDA.

Funded FY 1976. Due for completion October 1977

National Bureau of Economic
Research

Development of a model to estimate selected economic effects of alternative national and subnational development policies. This model was recently used to project the subnational impact of a 100% tax on gasoline.

Current funding will run to December 31, 1976. Will fund \$50,000 in FY '77 for further expansion and refinement of IDIOM.

Grantee/Contractor

Oklahoma Research Foundation

Top... escription

Measuring of sub-national characteristics of water supply and waste water capacities.

Status

Initial inventory of all facilities has been completed. Second phase is field checking and updating information and widening its scope and application.

PROLIFERATION OF PROGRAMS AFFECTING
ECONOMIC DEVELOPMENT

I. Background

The failure to establish a cohesive and integrated set of national economic development goals and objectives has resulted in conflicting Federal policies and programs. Many serious national economic development issues have a myriad of agencies evaluating the problem, designing policies and expending funds.

Proliferation of the Federal government's perceived responsibilities has led to overlapping goals and objectives, programs, and program tools at all levels of government.

II. Issue

The basic issue that must be dealt with in order to lessen conflict between economic development programs and make them more effective has the following elements:

- (1) The need for a precise statement of economic development goals.
- (2) The allocation and programming of adequate resources to meet these goals within a realistic time horizon.
- (3) The ability to project not only the primary and secondary effects of each new development program but also its relationship with those preceding it.
- (4) The examination of the organization of both the executive agencies and legislative committees assigned the responsibilities for economic development.
- (5) A more efficient and responsive allocation of functions by level of government - federal, state and local.
- (6) Adequate and equitable responses to inevitable growth imbalances that arise between regions, between urban and rural areas and between different segments of the population.

III. Analysis of Issue

- (1) The task of selecting economic development goals is a difficult one. The Biennial National Growth Reports jointly prepared by Federal agencies directly involved in economic development reflect the difficulty of the selection process and the problems involved in consensus decision-making. Greater Departmental priority should be assigned to this multi-agency effort. The previous three reports have outlined the problems involved and have progressed only hesistantly toward hard policy decisions. Hopefully the 1978 Report, now under preparation, will come to grips with the basic issues.
- (2) One of the problems of affecting a coordinated development effort is the technical inability to forecast the multiple, long-range effects of each program. Sufficient funds should be allocated for research and development to raise the technical level and proficiency in this area.
- (3) The present Federal organizational structure -- executive as well as legislative -- is not conducive to a carrying out coordinated economic development programs. A critical examination of program responsibilities is an essential prerequisite. Additionally, a reallocation of functions and responsibilities at the Federal, state and local levels of government should be undertaken.

IV. Schedule

EDA cannot appropriately set forth a schedule for resolution of the issue.

RE-EXAMINATION OF EDA'S INVESTMENT STRATEGY

I. Background

On an annual basis EDA develops investment strategies for its funding programs. A component of this process is a specific allocation of funds to the Agency's six regional offices to provide an equitable distribution of limited EDA resources among a large number of potential applicants for project assistance. The EDA Regional Director must decide where he can effectively make investments which will achieve the program's objectives to (1) stabilize or diversify existing economic activity, (2) ameliorate distress and initiate development, and (3) to stimulate growth. EDA's investments are critically dependent upon the quality of local planning and the amount of effort localities devote to economic development plans.

II. Issue

EDA has made initial allocations of available FY 1977 funds. However, a re-examination is necessary because of the recently enacted extension of the new program containing new authorities.

III. Analysis of the Issue

During the relatively short lifetime of EDA, the Congress has enlarged its program mandate significantly -- from a rural orientation to a growing role in urban development, a new role in special economic adjustment, and a responsibility for counter-cyclical manpower programs. This effort must include a prioritization of EDA goals and objectives, an understanding of the types of economic situations to which EDA can effectively respond, an integration of EDA program tools, and a formulation of effective area designation criteria.

A critical element of this investment strategy is the role of EDA in urban economic development. Given the Department of Commerce's responsibilities for stimulating economic development and working with the business community and the lack of emphasis and leadership in this direction, it is important that the Department lead business and government into the kind of relationships and programs that have potential to achieve lasting success in the cities.

IV. Schedule

Although funds have not been appropriated for many of the new authorities, EDA should re-examine its investment strategy during the second quarter of Fiscal Year 1977 to guide any requests for funding, such as the FY 1979 budget or FY 1978 supplemental.

V. Appendix

Initial FY 1977 investment strategies for public works, business development, technical assistance funds, and economic adjustment assistance.

ECONOMIC DEVELOPMENT ADMINISTRATION

PUBLIC WORKS INVESTMENT STRATEGY

Public Works funds are allocated to the six regional offices on the basis of entity programs. This provides a guide which eliminates direct competition for funds and objectives with other entity groupings.

The entity programs are:

1. Indian. This is a special grouping in the appropriations because of the unique mandate to EDA that Indian areas do not compete directly for funds with other eligible areas.
2. Districts. This is the multi-county economic development center concept which encourages joint or multiple local governments cooperation in economic development endeavors.
3. Urban Areas. Geographic size and population size coupled with the immensity of the many infrastructural needs of these areas demand special attention of the Agency.
4. Other Areas. This category consists of predominately rural areas where the unemployment and underemployment are problems. The economic problems are also enhanced by high statistics of outmigration.

With their allocations, the Regional Directors are encouraged along the following lines:

1. Designated Areas. Strive to reach those areas which have had no previous EDA assistance but have been designated for at least two years. In these areas, efforts are made to identify characteristic problems in establishing programs to overcome such problems.
2. Growth Center Investments. Maintain and encourage an impact program to assist the economic development center and improve far reaching and long-term benefit community cooperation.
3. Non-Profit Applicants. Includes constituencies who are normally residents of high distress urban and rural areas. EDA may be the only resource for some of these groups and if EDA is not the catalyst, possibly it is a source of supplemental assistance.

4. Innovative and/or Multi-Area Investments. Continually investigate new types and scales of projects suggested by improving or changing economic and locational trends such as, the growth of the service industry in urban centers, the availability of old structures or acreages for rehabilitation, and the need to develop large scale infrastructure for potential development related to sources of energy and other resources.
5. Urban Area Investments. There now are new horizons and responsibilities placed on this sector of the EDA universe by recent legislation.

BUSINESS DEVELOPMENT INVESTMENT STRATEGY

The Business Development program assists the private sector in the creation or preservation of jobs through:

- Direct, low interest rate, long-term loans to companies that are unable to obtain financing from banks or other sources.
- Loan guarantees whereby the Agency guarantees up to 90% of the loans banks make to borrowers who would not ordinarily make the loan without an EDA guarantee.
- Interest subsidies on guaranteed loans.
- Refinancing assistance where it is essential to save employment or create new or increased employment.

Historically, EDA has invested Business Development funds with the purpose in mind of maximizing the economic impact of its financial assistance in terms of new or saved jobs. Because of the new three-year extension of the program, EDA must formulate an urban Business Development strategy. This strategy could result in EDA taking a greater than normal risk in its loans and guarantees, and the utilization of new program tools.

TECHNICAL ASSISTANCE INVESTMENT STRATEGY

EDA has highlighted the following areas of concern which are expected to require technical assistance investments.

A. Building Local Economic Development Competence

There is a growing realization that Federal agencies need to work with urban governments to improve their capacity to plan and execute urban economic revitalization activities. These urban centered activities not only reflect a heightened Federal priority to increase effective local

government competence but also deal with the greatest concentration of workers who find it most difficult to obtain productive employment. EDA already has seen the first of what is likely to be a substantial number of applications to assist urban areas and states to develop industrial retention programs.

B. Interagency Cooperation

Over the past few years, EDA/TA has worked with other Federal and non-Federal agencies to develop and fund projects that aim to achieve economic stability of growth in specific locations. The most recent of these is the Multi-City Multi-Federal Resource Program that EDA, HUD, and DOL have agreed to fund. In view of the limited technical assistance resources and the growing awareness of economic development as a major element of non-Federal public policy, we would expect that an increasing number of opportunities to combine Federal agencies funds at state and local locations will emerge.

C. Trade Adjustment

Concern over import competition will continue to be a factor in FY 1977. It is likely that many of the technical assistance responses will be industry-wide or community assisted rather than to individual firms.

D. University Centers

University Centers are steadily increasing the significance of technology transfer as an element in that program. University Centers are particularly effective in saving threatened firms and in adding jobs to existing firms.

E. Energy

It is likely that the continued rise of energy costs as well as our increasing dependence on foreign supplies of energy will lead to greater efforts to develop domestic energy resources and to improve the efficiency of energy supplies available to us.

F. Utilize 302 Plans

FY 1977 should represent the emergence of the first generation of Section 302 Plans for all states and some cities. These plans should be carefully examined in each regional office to see whether requirements for technical assistance can be identified.

ECONOMIC ADJUSTMENT ASSISTANCE INVESTMENT STRATEGY

The major focus of the Title IX program during FY 1977 will be a continued emphasis on sudden severe economic dislocations resulting in unemployment. The principal areas of activity are:

- Environmental requirements
- Major plant closures
- Energy impacted communities on a limited basis
- Trade adjustment assistance

Judging from the interest already expressed, it is apparent that there is a great deal of interest in the use of Title IX for long-term deterioration problems. The versatility of Title IX is particularly useful in urban areas. Not only do urban areas have well trained staffs to make best use of the administrative latitude available under Title IX, but there are many more potential resources with which Title IX can combine to accomplish an adjustment. Thus the full potential of the authority can be better realized in urban settings.

Guidelines and Rules and Regulations governing long-term economic deterioration are being drafted. These will be ready by the end of the first quarter of the fiscal year.

OPTIONAL LEVELS OF FUNDING FOR EDA
INCLUDING NEW PROGRAM AUTHORITIES IN THE NEW EXTENSION ACT

I. Background

Since its creation under the Public Works and Economic Development Act of 1965, EDA's regular programs have been authorized at an average level of \$763 million per year. Appropriations for the same period have averaged only \$275 million per year. An additional consideration is the fact that the 1976 amendments to the authorizing legislation provide for a number of new programs and program expansions for which no funding is available in the current appropriation for FY 1977 nor in the budget request for FY 1978. A new Redevelopment Area Loan Program has been added; there is a new provision for interest rate subsidies; Grants to States authority has been expanded; the Title IX authority has been expanded to include areas suffering long term deterioration; and there is a continuing authorization for Title X at a rate of \$81,250,000 for each calendar quarter of a fiscal year in which the national average unemployment exceeds 7 percent.

II. Issue

The authorizing legislation for the basic programs of the Economic Development Administration provides for the funding of many diverse economic development programs. In spite of the fact that the total authorization has averaged \$763 million annually for the period 1966-1977, the most ever appropriated has been \$360 million. Over that period appropriations have averaged approximately one third the level authorized. It is appropriate that optional funding levels be considered.

III. Analysis of the Issue

Determining the need for economic development programs is an extremely difficult task; it is one that we are giving increased emphasis.

Between now and 1980, there will have to be approximately 13 million new jobs in the economy if we are to achieve an unemployment rate of four percent. If these jobs were to be created through the use of public funds of the type EDA administers, the cost would be approximately \$47 billion or almost \$12 billion per year for the next four years.

If federal funds could be used as a catalyst and could be counted on to produce matching shares from other sources at a ratio of two to one, the federal cost would still approach \$4 billion per year.

Clearly, the amounts appropriated to date can be said to have primarily a "demonstration" effect in terms of meeting the need for economic development on a truly national scale, even though our impact on any particular locality may be of tremendous importance. Indeed, it could be argued that even at a funding level of one billion dollars or more annually, we would be operating as a demonstration agency. Under such a concept, EDA's major objectives would be to formulate and test new techniques of development and to make clear to public and private economic development leaders the value of selected development activities, programs, plans, and processes. All this could of course be accomplished while at the same time striving for maximum economic development effectiveness at the local level.

IV. Schedule

The FY 1978 budget process leading to the President's Budget Request to the Congress has been completed as far as EDA and the Department are concerned until such time as we may be directed by the new Administration to submit a revised request. Options could be considered at that time. EDA is now in the process of assessing budget alternatives for FY 1977 and 1978.

When we submit our Preview Estimates for FY 1979 next spring, we expect to present a program level which relates realistically to the authorizing legislation and to the needs of the Nation for economic development programs. If there are constraints imposed by the OMB or if we are operating under a Zero Base Budget concept, we would present such a program as an alternative.

APPENDIX

The following table shows the amounts authorized and appropriated for EDA basic programs as authorized by Titles I, II, III, IV, and IX of the Public Works and Economic Development Act of 1965 as amended and the Trade Act of 1974. Not included in the table are the Title V programs of the Regional Action Planning Commissions and the special Title X Job Opportunities Program and the current Local Public Works Program.

(amounts in millions)

<u>Fiscal Year</u>	<u>Authorization</u>	<u>Appropriation</u>
1966	\$695	\$315
1967	745	275
1968	745	249
1969	745	236
1970	770	228
1971	770	231
1972	1,070	261
1973	1,070	302
1974	335	221
1975	530	247
1976	645	360
T.O.	161	90
1977	1,070 ^{2/}	360 ^{1/}
Subtotal	9,351	3,375 (36%)
1978	1,070 ^{2/}	NA
1979	1,070 ^{2/}	NA

1/ This amount does not include funding for the following new programs authorized by the extension legislation: Redevelopment area loan program (Section 204); expanded Grants to States authorities (Section 304); interest rate subsidies; Title X; or for Title IX assistance to areas suffering from long term deterioration.

2/ These amounts do not include authorization for Title X of \$81,250,000 per calendar quarter of a fiscal year during which the national average unemployment is equal to or exceeds 7 percentum.

DEMAND FOR LOCAL PUBLIC WORKS CAPITAL
DEVELOPMENT AND INVESTMENT ACT OF 1976 FUNDS

I. BACKGROUND

Title I of the Public Works Employment Act of 1976, which is entitled the Local Public Works Capital Development and Investment Act, was enacted July 22, 1976. It authorizes grants to any State or local government for the expeditious construction of local public works projects in areas of high unemployment. Regulations, program guidelines and application forms for the program were distributed on August 23. A \$2 billion appropriation was received mid-October and EDA began accepting applications on October 26, 1976.

II. & III. ISSUE AND ANALYSIS

The demand for the Local Public Works program greatly exceeds the \$2 billion that was appropriated. As of C.O.B. November 22, 1976, EDA received 16,216 applications totalling \$16,019,713,280. It is estimated that the total ultimate demand will exceed \$20 billion.

It is anticipated that the Congress will express considerable interest in appropriating additional funds for the unmet demand. Funds will have to be authorized before an appropriation can be made.

IV. SCHEDULE

The deadline for the initial submission of applications for the first round of the program is December 3, 1976, and the deadline for resubmissions that were submitted on or prior to December 3 is December 9, 1976. It is expected that the majority, if not all of the funds, will be expended in the first round of the program. Selection of the applications will begin in mid-December and approvals the end of December.

USE OF EDA'S TITLE I FUNDS FOR THE 1980 WINTER OLYMPICS

I. Background

In 1973, the U. S. Olympic Committee (USOC) issued an invitation to communities in the U. S. interested in hosting the 1980 Olympics. Lake Placid sought designation by the USOC for the Winter Games. The North Elba Town Board and the Lake Placid Village Board unanimously favored the Games by resolutions passed in October, 1973.

The New York State Legislature adopted a joint resolution on February 4, 1974, which assured the International Olympic Committee (IOC) of the cooperation of the State. Subsequently, the Legislature enacted a bill creating a temporary State Olympic Winter Games Commission. A supporting letter to the IOC was written by then President Nixon on February 13, 1974; this support was reaffirmed by President Ford in a letter to the IOC on September 19, 1974. On August 5, 1974 the House of Representatives agreed, by a vote of 382 to 4, to Senate Concurrent Resolution 72 to endorse Lake Placid as the site.

The LPOOC estimated that approximately \$50 million would be necessary for capital improvements other than those proposed to be provided by the State of New York. This \$50 million would provide for the Olympic athletes' housing complex, a new Field House, renovation of the existing 70 Meter Jump, a Luge Run, Administrative Center, Press Center, and supporting power, utilities and parking facilities. It is expected that the athletes' housing will be funded through the Department of Justice; the remaining projects would be funded by EDA. The Agency is now processing a \$20 million application submitted by the LPOOC to cover construction of the ski jumps, field house, and speed skating oval.

In September, 1976, President Ford signed a bill authorizing more than \$49 million for facilities (originally the Administration had submitted legislation which would have authorized \$28 million for the construction of permanent, unique facilities), and said that in his opinion the legislation "will not only furnish the resources necessary for the next Winter games to be held in the United States, but will also

provide training facilities for future American Olympic athletes which will enhance their ability to compete with heavily subsidized teams from other nations."

II. Issue

The Department has recommended that the appropriations subcommittees of the House and Senate be asked for their concurrence in a reprogramming action which would make \$30.1 million available for the 1980 Winter Olympics facilities development. The funds would be diverted from EDA's regular Title I activities. The amount reprogrammed will provide full funding of those projects which must be started in 1977 in order to meet completion schedules.

Although this action will have been presented before the 95th Congress convenes, it is expected that this will be a topic of continuing interest.

III. Analysis of the Issue

- It is necessary to obtain Congressional approval, of the reprogramming since this project is beyond the scope of EDA's activity as contemplated at the time funds were appropriated.

It is important to recognize that in making this reprogramming there is a significant impact on EDA's Public Works program. The 1977 appropriation contains \$166.5 million for public works, including \$146 million for Title I grants. The recommended reprogramming of \$30.1 million is 18 percent of the total program amount and is 21 percent of the amount available for Title I. Such a reduction to its regular program would mean that EDA would be able to fund approximately 50 fewer projects in other areas of the Nation.

Nonetheless, reprogramming is the recommended course of action because of the urgency of making funds available as soon as possible and because we believe that the OMB would not support a request for a supplemental appropriation.

IV. Schedule

In order to complete the facilities by early 1979 as required by the IOC, construction must begin in April, 1977. It is desirable that Congressional approval be obtained as soon as possible even though the project is not likely to be approved prior to February 1, 1977 because of requirements relating to the environmental impact statement. Early concurrence would offer solid assurance to the LPOOC and would help them obtain interim private financing if they determined such a course was necessary. Subsequent to approval of the \$20 million project now pending, an amendment would be drawn up for the additional \$10.1 million needed to complete the funding of the remaining activities which must be started in FY 1977.

FIRE PREVENTION AND CONTROL

- o Develop Academy training programs
- o Develop the Public Education Assistance Program (PEAP)
- o Develop the Fire Data Center
- o Claims program by which reimbursement is authorized for the costs to local fire services for firefighting on Federal property
- o Obtain supplemental appropriation for purchase and renovation of the Majorie Webster site
- o Awards for Public Safety Officers
- o Master Planning Report
- o Implement and administer an education and training assistance program
- o Model state fire organization



Title: Develop Academy Training and Education Programs

Background:

Section 7 of the Act authorizes the development of Academy training courses for the purpose of advancing the professional development of fire service personnel and others engaged in fire prevention and control activities. The subject areas of the courses will include the techniques of fire prevention; fire and arson investigation; fire inspection; fire administration and management; fire instructors; fire safety practices for architects, builders, interior designers, and urban planners; fire protection master planning; fire prevention and control aboard waterborne vessels; aircraft fire and crash rescue; and fire officer courses.

Issue:

In fiscal year 1977, the development and initial delivery of the following courses will take place: labor/management relations, overview of master planning, systems requirements, Arson I (delivery will not occur until fiscal year 1978), data and coding format, fire safety design for architects, implementation of master planning (course delivery in fiscal year 1978), instructor one, and management of fire prevention programs (course delivery in fiscal year 1978).

Analysis of Issue:

In order for the Academy to establish itself as a first-rate institution, it is absolutely necessary that the initial bloc of courses be of especially high quality. Fiscal year 1977 is a crucial year for the long-term success of the Academy program.

Schedule:

Implementation of course delivery will occur throughout fiscal year 1977.



Title: Develop the Public Education Assistance Program
(PEAP)

Background:

Public education programs have been developed for targeted groups and communities and have proven to be successful in reducing fire losses significantly. No efficient or effective way exists, however, to disseminate these programs to other communities within the state of origin or between states. The Public Education Assistance Program (PEAP) will assist states in establishing a public education resource center for the collection and distribution of such programs and materials.

Issue:

In fiscal year 1977, the PEAP program will be pilot tested in four states and a model for use by all states and the NFPCA will be developed. Additional resources are being requested in fiscal year 1978 to expand the system into additional states.

Analysis of Issue:

This program will be the key element in the delivery of public education programs to local communities, and its development will guide the NFPCA's role in this area.

Schedule:

Four pilot states are being selected. The guidelines and criteria for the PEAP program will be published in the fourth quarter of fiscal year 1977. The fiscal year 1978 budget to OMB includes increased funds for expansion of the system to additional states.

Title: Develop the Fire Data Center

Background:

Section 9 of the Act establishes a National Fire Data Center to collect and analyze various kinds of fire data. A National Fire Incident Reporting System (NFIRS) has been set up to assist states collecting and analyzing standard fire data and reporting it to the NFPCA. Also, a study has been conducted to determine the need and design of a technical information center within the Data Center.

Issue:

Insufficient dedication of resources at the local level to sustain the NFIRS system could influence the making of sound national estimates.

Analysis of Issue:

It is impractical to fund individual communities with Federal monies to sustain the NFIRS system. The solution to this problem lies in the dissemination to the fire services of useful reports analyzing local fire statistics that would provide the incentive to dedicate the resources necessary to continue participation.

Schedule:

Work is proceeding on the development of statistical reports. The 1979 budget will include a request to fund the technical information center.

**Title: Claims Program to Provide Reimbursement for
the Costs of Firefighting on Federal Property**

Background:

Section 11 of the Act authorizes reimbursement for the direct costs and losses incurred by local fire services in firefighting on property which is under the jurisdiction of the United States. The legislative history indicates that Section 11 was made a part of the Act because the Comptroller General had ruled, consistent with a long line of decisions, that fire services which had participated in the particularly costly firefighting effort at the Federal Military Personnel Records Center could not be reimbursed by the Federal Government, without a private relief bill. 53 Comp. Gen. 410 (1973). The general principle was that where a local fire service must, by law or contract, provide fire protection to a given area free of charge, it must do so to Federal facilities within that area. In such a case, there was, prior to Section 11, no authority for a Federal agency to contract for, or reimburse costs of, the local fire organization's service.

Issue:

Because Section 11 is not self-explanatory, and because there are difficult substantive and procedural issues involved, it is necessary to promulgate implementing regulations prior to the processing of claims.

Analysis of Issue:

The issues presented by Section 11 include: what is the intended meaning of "property which is under the jurisdiction of the United States"; what are "direct costs and losses"; what is meant by "payments"; and what is the effect of Section 11 on existing mutual aid agreements between Federal agencies and local fire services. The resolution of those issues is reflected in the document which is to be published as a notice of proposed rule-making and which includes the implementing regulations.

Schedule:

Formal and informal opinions have been received from the Departments of Justice and the Treasury and from officials in the Forest Service and in the Bureau of Land Management in the Interior Department. It is expected that the notice of proposed rulemaking will be published in the Federal

Register by the beginning of calendar year 1977, with a 60 day comment period. During that time, we plan to solicit the views of concerned Federal agencies and we plan to hold informational meetings with fire services and local officials so as to more directly receive their comments and answer their questions. It is expected that the final regulations will be promulgated and claims will be processed within the second quarter of 1977.

Title: Supplemental Appropriation for Acquisition and Renovation of the Former Marjorie Webster College to Serve as the Academy Campus and as NFPCA Offices

Background:

Section 7 of the Act directed the Secretary of Commerce to establish, at the earliest practicable date, a National Academy for Fire Prevention and Control. The purpose of the Academy is to "advance the professional development of fire service personnel and of other persons engaged in fire prevention and control activities." The Act authorized \$9 million for the construction of a facility which Congress intended to be a "small but excellent campus with a first-class staff and facilities." The legislative history indicates that Congress assigned the Academy "the highest priority" if America's fire losses are to be reduced.

A 3-member Site Selection Board instituted pursuant to Section 7(g) of the Act reviewed over 200 proposals for the Academy location and recommended the site of the former Marjorie Webster College in Northwest Washington, D.C. to serve as the Academy site and as the offices of NFPCA. The Secretary of Commerce formally selected the recommended site on August 26, 1976. A Contract of Sale, conditional on appropriations, was signed on September 13, 1976, and the National Capital Planning Commission approved our Master Plan for the use of the site, on November 11, 1976.

Issue:

The \$9 million authorization for construction of the Academy is read to include acquisition and renovation costs. Appropriations, however, have not been made. A request for \$5 million supplemental appropriation in 1977 has been approved by the Department of Commerce and submitted to OMB. The supplemental includes \$2.6 million for acquisition and \$2.4 million for planning, designing and construction (largely renovation).

Analysis of Issue:

The Marjorie Webster College site is extremely cost effective (by an estimated \$3 million + in present value) and offers the critical advantage of a facility wherein the Academy and NFPCA may be housed together in Washington, D.C.

Schedule:

Assuming approval by OMB, the supplemental budget request will go forward to the Congress in January with the 1978 budget. Final Congressional action is expected by May 1977. As soon after that time as is practicable, closing with the sellers will take place.

Appendix:

Although not attached, the Site Selection Board's Report, a full Environmental Assessment, and the supplemental budget justification are available from NFPCA.

Title: Awards for Public Safety Officers

Background:

Section 15 of the Act created the President's Award for Outstanding Public Safety Service (to be given by the President) and the Secretary's Award for Distinguished Public Safety Service (to be given by the Secretary of Commerce to firefighters, by the Secretary of Defense to civil defense personnel, and by the Attorney General to law enforcement officers). A working group from the three Departments drafted regulations which were published under the authority of the three Departments as a notice of proposed rulemaking on July 26, 1976. The 90-day comment period ended on October 26, 1976, and all comments received have been reviewed.

Issue:

Final regulations must be promulgated, the Joint Public Safety Awards Board (to administer the President's Award program) must be established, and three members from each Department and an Executive Secretary (a Department of Commerce employee) must be designated. Citations and medals must be designed and produced.

Analysis of Issue:

The promulgation of regulations and the establishment of the Joint Board require coordination among the three Executive Departments. While these tasks are progressing, coordination must commence on the design and procurement of the medal and each Department must achieve compliance with the Privacy Act.

Schedule:

Secretarial level concurrence in the promulgation of the regulations, in the establishment of the Joint Board, in the constituting of the Board's membership, and the design and procurement of the Awards is desired by the end of the first quarter 1977. Simultaneously, Privacy Act systems should be established. It is not unreasonable to predict that these goals can be accomplished, and invitations for the nominations disseminated, by no later than the end of the second quarter 1977.

Appendix:

Attached is a copy of the notice of proposed rulemaking.

MONDAY, JULY 26, 1976



PART III:

DEPARTMENT OF COMMERCE

National Fire Prevention and Control Administration

PUBLIC SAFETY AWARDS TO PUBLIC SAFETY OFFICERS

Proposed Implementation Provisions

for
registered



DEPARTMENT OF COMMERCE

National Fire Prevention and Control
Administration

[15 CFR Part 1800]

PUBLIC SAFETY AWARDS TO PUBLIC
SAFETY OFFICERS

Proposed Implementation Provisions

This is a notice of proposed rulemaking which is issued jointly by the Secretary of Commerce, the Secretary of Defense, and the Attorney General. The proposed regulations implement an awards program for public safety officers as established by section 15 of the Federal Fire Prevention and Control Act of 1974 (P.L. 93-498, 88 Stat. 1535, 15 U.S.C. 2201 et seq., 278 (f), (g), 42 U.S.C. 290(a)), 15 CFR Part 1800 would be added for this purpose.

The Act creates two awards: The President's Award For Outstanding Public Safety Service; and the Secretary's Award For Distinguished Public Safety Service. Nominations for either of these awards are restricted to persons serving a public agency, with or without compensation, as firefighters; law enforcement officers, including corrections or court officers; or civil defense officers.

These proposed regulations are the result of consultations among representatives of the Department of Commerce, the Department of Defense, and the Department of Justice. The regulations, as presented here, are approved for this publication by the Secretary of Commerce, the Secretary of Defense, and the Attorney General, and are promulgated under their authority by the Administrator, National Fire Prevention and Control Administration.

Inquiries and comments on these proposed regulations should be in writing, should indicate the subject addressed, and should be submitted, on or before October 26, 1976 to:

Administrator, National Fire Prevention and Control Administration, Department of Commerce, P.O. Box 19518, Washington, D.C. 20036

All comments received on or before October 26, 1976 shall be considered and shall be available for public inspection at:

Room 302, 2400 M Street, NW., Washington, D.C.

In consideration of the foregoing, it is proposed to amend Title 15 of the Code of Federal Regulations by establishing a new Chapter XVIII—National Fire Prevention and Control Administration, Department of Commerce, containing new Part 1800, as follows:

PART 1800—PUBLIC SAFETY AWARDS TO
PUBLIC SAFETY OFFICERS

Sec.	
1800.1	Background and purpose.
1800.2	Definitions.
1800.3	Nomination process.
1800.4	Nomination and selection criteria.
1800.5	Joint Public Safety Awards Board.
1800.6	Design and procurement of awards.

Sec.	
1800.7	Selection process.
1800.8	Presentation of awards.
1800.9	Funding.

Authority: Federal Fire Prevention and Control Act of 1974, sec. 15 (Pub. L. 93-498, 88 Stat. 1535, 15 U.S.C. 2201 et seq., 278(f), (g), 42 U.S.C. 290(a)).

§ 1800.1 Background and purpose.

The regulations in this part are issued under the authority of Pub. L. 93-498, the Federal Fire Prevention and Control Act of 1974. The Act establishes two classes of honorary awards for public safety officers and directs the issuance of the necessary joint regulations by the Secretary of Commerce, the Secretary of Defense, and the Attorney General. The Secretary of Commerce has delegated authority, pursuant to DDO 25-5A, for the issuance of the required regulations to the Administrator, National Fire Prevention and Control Administration. The Administrator has obtained the approval of the Secretary of Defense and the Attorney General to issue these regulations to implement the statutory provisions on behalf of the three agencies concerned.

§ 1800.2 Definitions.

(a) "Public safety officer" means a person serving a public agency, with or without compensation, as a firefighter, a civil defense officer (or member of a recognized civil defense preparedness organization), or a law enforcement officer, including a corrections or court officer.

(b) "President's Award" means the President's Award for Outstanding Public Safety Service, presented by the President of the United States to a public safety officer for extraordinary valor in the line of duty or for outstanding contributions to public safety.

(c) "Secretary's Award" means the Secretary's Award (or the Attorney General's Award) for Distinguished Public Safety Service, presented to public safety officers for distinguished service in the field of public safety.

(d) "Nominating Official" means the head of a Federal government department or agency, the governor of a state or territory, or the chief executive or executives of any general governmental unit within any state or territory.

(e) "Joint Board" means the Joint Public Safety Awards Board established by the Departments of Commerce, Defense and Justice, to carry out the purposes of Pub. L. 93-498 and this part.

§ 1800.3 Nomination process.

(a) The Nominating Officials shall submit their nominations for the Secretary's Award to the appropriate Department depending upon the category of the nominee involved, as follows:

(1) A firefighter: U.S. Department of Commerce, Attention: Administrator, National Fire Prevention and Control Administration, P.O. Box 19518, Washington, D.C. 20036.

(2) A civil defense officer (or member of a recognized civil defense prepared-

ness organization): Director, Defense Civil Preparedness Agency, U.S. Department of Defense, Washington, D.C., 20231.

(3) A law enforcement, corrections or court officer: Assistant Attorney General for Administration, Office of Management and Finance, U.S. Department of Justice, Washington, D.C., 20530.

(b) The Nominating Officials shall submit their nominations for the President's Award to the Executive Secretary, Joint Public Safety Awards Board, National Fire Prevention and Control Administration, P.O. Box 19518, Washington, D.C., 20036.

(c) All nominations shall be submitted in writing in accordance with the requirements prescribed in this section and § 1800.4 at the earliest practicable date after the performance of the act or acts for which the nomination is made. Nominations for each year shall be made before November 15; any received thereafter will be considered as having been made for the following year.

(d) Nominations for the President's Award or the Secretary's Award should include the name of the candidate, his/her position title, the public agency served, the locale where the candidate performs his/her duties, the name of the nominating official, a summary describing the outstanding contribution, distinguished service or extraordinary valor, and the relevant dates relating thereto. The description should be sufficiently concise and specific to justify the request for recognition of the safety officer through the presentation of either of the awards. Copies of any published factual accounts of the nominee's accomplishments should also be attached when available.

(e) An annual invitation shall be issued by the Joint Board for nominations for the President's Award and, on behalf of the respective Departments, for the Secretary's Award. Such invitation shall be issued by letter or by notice in appropriate publications of interest to the public safety community. However, nominating officials need not wait for such invitation but may nominate at the most appropriate time in accordance with the other provisions of this Part.

§ 1800.4 Nomination and selection criteria.

(a) Nominations for the President's or Secretary's Award shall be made on the basis of, and in conformity with, the following uniform criteria:

(1) President's Award—Documentation accompanying the nomination for the President's Award must indicate not only that the nominee unquestionably meets the standards established for the Secretary's Award (see paragraph (a) (2), of this section), but also deserves greater public recognition than that afforded by the Secretary's Award because he/she has demonstrated unique qualities of courage, imagination or ability.



which have resulted in outstanding contributions to the public safety.

(2) Secretary's Award—The documentation that accompanies the nomination for the Secretary's Award must clearly show that the public safety officer's qualifying service or act is marked by courage, imagination or ability or has resulted in a significant contribution to the public safety accomplished through an originality of effort which far exceeds the expected quality of performance of the normal duties assigned to the nominee.

(b) Nominations shall specify whether the nominee is being submitted for the President's Award or the Secretary's Award.

§ 1800.5 Joint Public Safety Awards Board.

(a) A Joint Public Safety Awards Board (Joint Board) is hereby established to fulfill the responsibilities of the Secretary of Commerce, the Secretary of Defense, and the Attorney General by administering the process of nomination for the President's Award and by coordinating the selection process with the Executive Office of the President. The Joint Board shall consist of nine members who are of appropriate rank (at or equivalent to grades GS-14 or above). Three members shall represent each of the three executive agencies. The members of the Joint Board shall select one of their number to act as the chairperson.

(b) Members of the Joint Board shall serve in addition to their regular duties and without additional compensation. The members of the Joint Board shall establish the procedure by which the elections for the President's Award shall be made to assure the timely presentation of public safety awards.

(c) The Joint Board shall obtain the services of a Department of Commerce employee to act as the Executive Secretary of the Joint Board. The Executive Secretary shall perform such functions as are appropriate to the Board's responsibilities, including the receipt of all

nominations, and the communication of nomination information, for the purpose of receiving comments thereon, from members of the public safety community pursuant to § 1800.5(e).

(d) The Joint Board shall review the nominations for the President's Award and shall recommend to the Secretary of Commerce, the Secretary of Defense and the Attorney General by February 1 of each year, those nominees determined by them to merit the President's Award, together with the reasons therefor. The Secretaries of Commerce and Defense and the Attorney General shall then recommend to the President those nominees determined by them to merit the President's Award, together with the reasons therefor.

(e) The Joint Board may request that persons representing a cross-section of the National public safety community comment upon nominations made to the Board for the President's Award. For this purpose, the communication of nomination information shall be effected by mail.

§ 1800.6 Design and procurement of awards.

(a) The Joint Board shall consult with the Department of the Treasury and the Executive Office of the President in regard to the design and procurement of the appropriate citations and medal for the President's Award in accordance with applicable laws and regulations.

(b) Insofar as practicable, the designs of the three Departments shall be coordinated so as to avoid distinctly different recognition of the various public safety officers.

§ 1800.7 Selection process.

(a) President's Award—Nominations for the President's Award shall be processed and evaluated as set forth in § 1800.5. Recipients of the President's Award shall be selected by the President.

(b) Secretary's Award—Upon receipt of a nomination for the Secretary's Award, the Head of the Department shall cause an evaluation and selection

of the nominees in accordance with the criteria prescribed in § 1800.4(a).

(c) Individuals nominated for the President's Award who are considered not to meet the criteria for that Award by the Joint Board or who are not recommended to or selected by the President shall be automatically considered by the Head of the Department concerned for presentation of the Secretary's Award.

§ 1800.8 Presentation of awards.

(a) Presentation of the President's Award shall be made at such time, place and circumstance as the Executive Office of the President directs. There shall not be more than twelve (12) President's Awards given out during any calendar year.

(b) Presentation of the Secretary's Award shall be made by the Head of the Department concerned or his designee at such time, place and circumstance as the Head of the Department determines.

§ 1800.9 Funding.

(a) President's Award—The costs involved in designing and striking the cast for the medal to be presented in conjunction with the President's Award shall be prorated among the three Departments concerned. The cost of producing the medal and printing the certificate for a recipient shall be borne by the Department of Commerce if the recipient is a firefighter, by the Department of Defense if the recipient is a civil defense officer, or by the Department of Justice if the recipient is a law enforcement officer.

(b) Secretary's Award—All expenses in connection with the Secretary's Award shall be borne by the appropriate Department.

Dated: July 20, 1976.

HOWARD D. TITTON,
Administrator, National Fire
Prevention and Control Administration.

[FR Doc. 76-21657 Filed 7-23-76; 8:45 am]



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AREA CODE 202

523-5022

Title: Master Planning Report

Background:

Section 10 of the Act authorizes the Administrator to "encourage and assist" states and political subdivisions in master planning which is systematic planning and cost benefit analysis approach to fire problems. Section 10(b) requires the Secretary of Commerce to submit a report to Congress on master planning which is to include model plans and a recommendation as to whether Federal financial assistance should be authorized for master planning in all states. NFPCA has awarded grants for the creation and testing of models and manuals for community, rural and state master planning. The community and rural planning manuals that have been produced are now being utilized and evaluated by selected jurisdictions across the country.

Issue:

Whether the Federal government, through NFPCA, should establish a large-scale program of assistance to state and local governments for master planning is the critical issue to be addressed in the 1978 report to Congress.

Analysis of Issue:

Program results, thus far, indicate that the community and rural projects have produced a widely applicable manual and methodology; the state project has been less successful. The issue of Federal assistance is related to the evolution of a model state agency (issue no. 10), the assistance program as authorized under the Academy (issue no. 9), and under the Public Education Office (issue no. 2), and data collection and dissemination as authorized under the Data Center (issues no. 3).

Schedule:

The report must be submitted by the Secretary of Commerce to the Congress by October 28, 1978. Prior to that, models should be evolved and tested, and a firm set of recommendations on the assistance issue should be put forward.

Title: Implement and Administer an Education and Training Assistance Program

Background:

The Congress authorized an education and training assistance program in the Act. The NFPCA Administrator is authorized to "provide stipends to students attending Academy courses and programs, in amounts up to 75 per centum of the expense of attendance, as established by the Superintendent." This section applies to on-campus as well as off-site training and education courses certified by the Academy and held at colleges, universities, and other facilities.

Issue:

Through grants to states, the National Academy for Fire Prevention and Control is funding the development of organizational designs to describe the state fire education and training system as it now exists, and the formulation of comprehensive five-year plans for improving fire education and training throughout the state. Incentives in the form of financial aid to students is necessary to assure that fire service personnel, architects, engineers, building officials and others receive the proper and most effective fire education and training consistent with the goals set forth in the five-year plan.

Analysis of Issue:

No funds for this program are contained in the 1978 budget. It is estimated that, by 1981, \$18 million will be needed for the program.

Schedule:

Funding for this program has been identified by the NFPCA Administrator as a key issue in the 1979 budget cycle.

Title: Model State Fire Organization

Background:

In Section 2 of the Act, Congress declared that:

"(5) while fire prevention and control is and should remain a State and local responsibility, the Federal government must help if a significant reduction in fire losses is to be achieved."

NFPCA must cooperate with the States and with local fire services in developing data, analyses, new techniques and new equipment. Yet, many States do not have a central contact point for NFPCA. In addition to the imperative that NFPCA work with the States, the Act (at Sections 8(c), 10 and 12) provides the authority for NFPCA to assist the States in developing the delivery systems necessary to more effectively prevent and control fire losses, to utilize NFPCA programs and to better supply NFPCA with the data, testing, and evaluation necessary for the development of successful programs.

To date, NFPCA has been consulted in the development of state-level fire programs in several states and numerous other states are asking for advice during legislative and executive planning activities.

The April 1976 issue of Fireword, an NFPCA publication, was devoted to a concept paper on state fire prevention and control functions.

Issue:

The States, the local fire services and NFPCA critically need a model state fire agency to consolidate efforts in fire prevention and control and to be a contact for NFPCA programs. Our programs to date would support the award of grants for the evolution and testing of such a model.

Analysis of Issue:

The Fireword publication outlined functions that seem to be needed at the statewide level. However, it stopped short of announcing a specific model structure. Such a model (or models) should be created and tested in several states.

Schedule:

Legislative hearings are planned in several states which are moving to rationalize, through statutes, their fire prevention and control efforts at the state level. These will be held throughout 1977 and NFPCA has been invited to, and will, participate in the hearings. NFPCA also plans to award grants to several states for the development and testing of a model, during 1977.

Appendix:

Attached is the Fireword issue on the State Fire Safety Concepts.

A BULLETIN FROM
THE NATIONAL FIRE
PREVENTION AND CONTROL
ADMINISTRATION, U.S.
DEPARTMENT OF COMMERCE,
WASHINGTON, D.C. 20230

FIREWORD

NFPCA Designs Preliminary Concept on State Fire Safety Services

WHAT NEEDS to be done to better respond to the current and future fire prevention and control needs at the State level? This question is being repeated in queries to the National Fire Prevention and Control Administration. The question is coming from State officials across the nation, interested in improving the planning, development and delivery of their fire safety services.

The NFPCA is looking at the situation. The agency has been observing State programs and talking with State officials from both executive and legislative branches. Based on its research, it has developed a preliminary concept, a possible approach to a State fire

safety organization. These beginning thoughts point to the need for a single State focus to have the primary responsibility for matters affecting the fire safety of its citizens and for that State fire entity to receive meaningful input from the organizations and interest groups involved in or affected by the State fire prevention and control effort.

In exploring the present state-of-the-art of fire prevention and control activities in various States, it is evident that conceptually the State role relates to coordinating services; standardizing and establishing minimum levels of safety in the interest of public safety and welfare; and supplementing local and regional fire prevention and control efforts.

States perform their coordinative roles in many areas such as health care, criminal justice, transportation, public education and agriculture. Coordinative roles include a comprehensive identification of problems and needs, State and local program coordination, and processing and/or distribution of Federal assistance. Similar functions are performed in fire prevention and control.

State governments also standardize and establish legal minimums of safety and sanitation on a state-wide basis. State building codes typically establish standard minimums of safety and sanitation. Similar approaches are taken in highway safety, health care and occupational safety. Additionally, minimum standards are set for a variety of occupational skills, including fire fighting, police services, engineering, nursing, architecture and others. Finally, States are involved in standardizing information on various parameters including health statistics, fire statistics and economic indicators.

Often these standards and minimums are coordinated with Federal programs.

To help meet local and regional citizen needs, States also provide direct supplemental services. These services are of particular importance in rural communities, counties, townships and the smaller municipalities. Examples of these supplemental services include agricultural assistance, public health services, social services, planning and community development. Supplemental fire prevention and control services often include enforce-

Continued on next page

EDITOR'S NOTE: State-level activities aimed at improving the planning, development and delivery of fire safety services are definitely on the increase. The National Fire Prevention and Control Administration is seeing evidence of this as more and more State officials are calling or writing, asking for the NFPCA views on what needs to be done to better respond to contemporary and future problems.

To respond to these requests, our agency has begun to develop preliminary thoughts on State fire program functions, and how they logically could be coordinated. These thoughts are a beginning. They are the formulation of a response to your requests for our views. This issue of *Fireword* presents these thoughts to you, our readers, so that you can respond to them with your views, comments and suggestions. We need your input and ask that you send your comments to: David A. Lucht, Deputy Administrator, National Fire Prevention and Control Administration, U.S. Department of Commerce, Washington, D.C., 20230.



ment of fire safety standards, fire and arson investigation, forensic laboratory services, fire services training and public fire education.

Typically, States provide a variety of specific services which have impact on fire losses. These services often include:

- Collection and analysis of fire data
- Adoption of minimum fire safety standards for new buildings
- Adoption of minimum fire safety standards for existing buildings and premises
- Adoption of minimum fire safety standards for storage, handling and use of flammable and explosive materials
- Enforcement of fire safety standards
- Investigation of fire and fire-related crime
- Plan and deliver public fire education programs
- Adoption of personnel performance standards for fire safety personnel
- Delivery of fire training and education to fire service personnel and others.

These activities are all good.

But more needs to be done. For instance, it is not uncommon for State-level fire prevention and control programs to be developed and executed by a variety of loosely coordinated agencies—and in varying degrees of quality. It is not infrequent that several State agencies find themselves in competition with each other in pursuit of the same goals. Often State agencies have overlapping authority and responsibility, and some needed services are not provided at all.

The Congress, in passing the Federal Fire Prevention and Control Act of 1974, declared that "fire is an undue burden affecting all Americans" and that "such losses of life and property are unacceptable." It also recognized that "fire prevention and control is and should remain a State and local responsibility," and that the "Federal Government must help if a significant reduction in fire losses is to be achieved."

The National Fire Prevention and Control Administration was created to give this help—to support and reinforce the fire prevention and control activities of State and local governments.

What is the NFPCA relationship with State governments? Several major issues have been identified: What are State responsibilities? How should they be carried out? How can NFPCA be most helpful? With whom in State government does NFPCA communicate concerning overall State programs?

After considering these and other related issues, the NFPCA has developed two preliminary findings:

- **FIRST**, The NFPCA believes that each State should designate a single State entity as having primary responsibility for the fire safety of its citizens. Just as the NFPCA was created as the "Federal focus," each State should provide a "State fire focus." The primary purpose of such a focal point would be to encourage coordination, reduce duplication of effort, and fill voids in service, while reducing the State's fire loss.
- **SECOND**, the State fire entity should receive meaningful input from organizations and interest groups which are involved in or affected by the State fire prevention and control effort.

The concept outlined in this issue of *Fireword* might serve as a vehicle for accomplishing these two objectives. □

EDITOR'S NOTE: *Fireword* is a monthly NFPCA publication. In each issue we'll present information on NFPCA activities. We'd also like to share stories of interest about fire prevention and control from around the U.S. with our readers. If you are involved in or know of an effective program, send the information and any pictures to *Fireword*, Peg Malow and Cheri Stehlik, Editors, NFPCA, U.S. Department of Commerce, Washington, D.C. 20230.

NFPCA Outlines Model State Organization

THIS MODEL State concept for a State fire safety system establishes one possible method by which a State can provide a "State fire focus."

The focal point for State fire programs will be referred to as the "State Fire Commission." However, it must be emphasized that the references here to organizational names are of secondary importance. The important issue is the function: what must be done?

The State Fire Commission would be the single State entity responsible for coordination and balance within the overall State fire prevention and control program. The Commission would be constituted to assure meaningful participation by the paid, part-time and volunteer fire services, including chief officers, rank and file personnel and code administration and enforcement personnel typical of fire marshals' offices. It should also include representation from local government administration, insurance industry, construction industry, consumer interests and State agencies such as the department of education, the State forester and the State fire marshal. This Commission would provide an opportunity for participation by the various interest groups and offer a mechanism for the balancing of various views. Functionally, the Commission would be a coordinating force—overseeing the actual implementation of State fire programs.

Obviously, the actual program activities of the State must be developed and implemented by professional full-time State employees rather than a "commission." Again, the titles of the employees or officials are of secondary importance to the actual identification of responsibility and function. Obvious too is the fact that all States are different in many respects with



regard to organizational framework, statutes and job titles. However, we have observed two types of state officials who "typically" have responsibility for functions which are primarily fire safety mission oriented:

- Director of Fire Training and Education
- State Fire Marshal

This program concept will focus on these two officials as the most probable candidates for carrying out statewide efforts. We will now examine programmatic functions and how, under this model, responsibility might be assigned to these officials. Subsequently, we will consider the role of the Commission itself.

Director of Training & Education

In some States, training and education responsibilities may be assigned to the fire marshal or some other official. In other States, training and education responsibilities are shared by several agencies.

Whatever the title of the agency or agencies, the important consideration is that these specific functional responsibilities be clearly identified and assigned. For purposes of this outline, that agency headed by an official called the Director of Fire Training and Education who would be assigned the following activities:

- Preparation of Personnel Performance Standards
 - Personnel Performance Standards for firefighters.
 - Personnel Performance Standards for code enforcement officers.
 - Personnel Performance Standards for fire/arson investigators.
 - Personnel Performance Standards for fire instructors.
 - Personnel Performance Standards for public fire education specialists.
 - Personnel Performance Standards for fire officers.
- Preparation of State Plan for Fire Education and Training
 - Identify statewide training and education needs for the "public" (primary and secondary school ages and adults), as well as the needs of local personnel who

deliver community based public education programs.

- Identify statewide training and education needs for fire services (fire-fighting, leadership, management, planning; code enforcement officers, fire/arson investigators, instructors; data collection, public education).
- Identify statewide training and education needs for fire-related disciplines (design professions, industrial community, construction industry, etc.).
- Formulate a training and education delivery system which
 - Provides equal opportunity to receive quality programs which respond to needs
 - Integrates the delivery capabilities of State instructional programs with those of local fire academies, primary and secondary schools, colleges and universities
 - Measures the effectiveness of training and education efforts
 - Adjusts readily to changing needs or indications of ineffectiveness

- Provides career incentives in fire prevention and control disciplines
- Tests and certifies students who have successfully completed courses of instruction

C. Provision of Supplemental Services to Regional and Local Levels

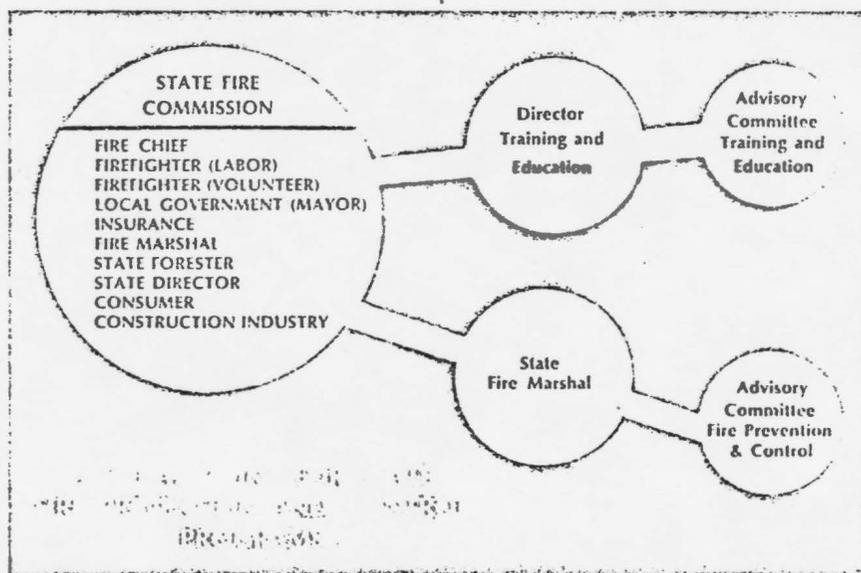
- Provide fire training and education by professionally qualified personnel.
- Assist local communities in the planning, development and delivery of local training and education programs for the public as well as for fire safety specialists.

State Fire Marshal

In some states, the responsibilities here associated with the fire marshal's office are handled by the State Police or another executive unit. In other States, some of these duties may be as efficiently performed by the Director of Fire Training and Education, or his equivalent. For the purposes of this article, these functions are assigned to the State Fire Marshal's Office. Note that the critical factor is not the name of the State unit, but rather that the following responsibilities be well defined and assigned for implementation:

- Preparation of Standards
 - Standards for collecting

Continued on next page



- and reporting fire data.
- 2. Minimum standards for fire safety in buildings and premises and for storage, handling and use of dangerous materials.
- 3. Standards, rules and regulations for fire safety effectiveness statements.

B. Data Collection and Analysis

- 1. Collect data from local and regional fire services, fire insurance industry, hospitals and coroners/medical examiners.
- 2. Pre-process data and supply to National Fire Data Center.
- 3. Execute quality assurance programs.
- 4. Analyze data and define statewide fire picture.
- 5. Relay feedback data to local and regional fire services and others.

C. Preparation of State Master Plan for Fire Prevention and Control

Public Law 93-498 provides that "The establishment of master plans for fire prevention and control are the responsibility of the States and the political subdivisions thereof." The Public Law definition of "master plan" includes the following elements:

- 1. Survey the resources and personnel of existing fire services and analyze the effectiveness of fire and building codes;
- 2. Analyze short and long term fire prevention and control needs;
- 3. Develop a plan of action to meet the fire prevention and control needs;
- 4. Estimate cost and develop realistic plans for financing the implementation of the plan and operation on a continuing basis, and summarize problems that are anticipated in implementing the master plan.

Preparation of the State Master Plan would have to be done in close liaison with the State Director, and the Master Plan would closely interface with the State Plan for Fire Education and Training.

It is also recognized that in part the missions of other State agencies have impact on citizen fire safety (examples: building code regulation, occupational safety and health, disaster services, insurance regulations, wildland protection). The Master Plan would also have to take these services into account and contrast them against overall needs.

D. Provision of Supplemental Services to Regional and Local Levels

- 1. Code enforcement by professionally qualified personnel
- 2. Fire and arson investigation by professionally qualified personnel
- 3. Public fire education by professionally qualified personnel

State Fire Commission

To achieve interest group input, balance and coordination, the role of the Commission would then be:

- A. Formal adoption of standards prepared by the State Director and the Fire Marshal.
- B. Formal approval of the Statewide Fire Education and Training Plan prepared by the State Director.
- C. Advise the Fire Marshal as to the data collection and analysis activities, including adequacy of feedback reports.
- D. Formal approval of the State Master Plan for Fire Prevention and Control prepared by the Fire Marshal.
- E. Advise the State Director and the Fire Marshal as to the responsiveness of supplemental services.

If the Commission "workload" were considered to be excessive in accomplishing these responsibilities, the activities could be divided among special advisory committees. A functional advisory committee could be established for the State Director and the Fire Marshal. Each committee would be oriented to the specific responsibilities of each of these officials. The committee memberships might be separate from the Commission or they might be "subcommittees"

of the Commission itself. However, they would only be advisory in nature and ultimate coordination and balance would be achieved by the single State entity—the Fire Commission.

It does not appear necessary for the "Commission" to represent a high-cost activity. Members would possibly receive travel expenses and/or per diem to attend official functions. "Committees" might be strictly voluntary in nature. As stated previously, the actual planning, development and delivery of programs would be performed by the State officials. In some States it may be desirable to establish a full-time "Fire Administrator" to serve the Commission and to exercise administrative authority over both the Fire Marshal and the State Director. In other States, administrative coordination may be executed by the Governor with the Marshal and the State Director reporting to him through their respective Cabinet officers.

Appeals

Certain of the functions enumerated here involve legal control and mandatory requirements (e.g. code regulations). In these cases, appeals mechanisms must be provided for persons aggrieved by the action of an agency or official. This can be handled in a number of ways, depending upon the administrative procedures statutes in the particular States. Among the options are the following:

- *Fire Commission hears appeals.*
In this case, the appellee might be a member of the Commission. For example: the State Fire Marshal may have written the order of code compliance which is the subject of the appeal. He may also be a member of the Commission. In such an instance, the Marshal might have to excuse himself from the proceedings because of conflict of interest. (Or, perhaps the State statute would not allow him to be a member in the first place.)
- *Create an "appeals board" solely for this purpose.*



- Use an "attorney examiner" to hear the appeal case.
- Provide for appeals directly to county or municipal court.

As a matter of public policy, State may wish to consider handling appeals on human safety issues only in court. Part of the cause of "public indifference" about fire safety is due to the casual attitude government sometimes exhibits toward those responsible for dangerous situations. The public is probably much more conscious about traffic regulations than fire regulations. In a large part, this is due to the fact that few people are ever issued a "ticket" for willfully causing a fire danger to exist.

Statutory Requirements

The accomplishment of a State fire program as described will require a statutory foundation. While many of the statutory necessities are evident, the following will summarize some of the highlights. The State statute should:

1. Establish and appropriate funds for support of the State Director and Fire Marshal. Fire Commission members would probably serve without pay but may receive travel and per diem expenses.
2. Establish legal authorities, responsibilities and qualifications for the State Director,

Fire Marshal and Commission.

3. Establish penalties for violation of mandatory regulations.
4. Establish criminal prohibitions for serious fire hazards, arson and careless fire conduct.
5. Allow for creation and administration of regional fire services.
6. Assure fire service statutes allow freedom of entry, promotion and protection of personnel in all possible disciplines (firefighting, inspection, investigation, public education, emergency medical), paid, part-paid and volunteer.
7. Establish mandatory reporting of fire data by fire service, fire insurance industry, hospitals and coroners/medical examiners.
8. Assure delegation of enforcement authority to local and regional fire officials.

Summary

We have said that State programs should develop with meaningful input from those groups which are involved in or affected by the State fire prevention and

control effort. Likewise, the NFPCA is anxious to receive input to its programs. This preliminary concept is published in *Fireword* for that purpose.

This does not represent a requirement of the Federal Government. It is, rather, an attempt to share some of the NFPCA thinking with you. The concept should be looked at as *one possible method* which might be used to achieve a comprehensive, well-balanced State fire program—with meaningful input from interest groups in the State. It also represents the type of State organization with which the NFPCA would like to communicate in its efforts to support and reinforce the fire prevention and control activities of State government.

It is difficult to support and assist a State activity if there is no State fire focus and no definable comprehensive State program.

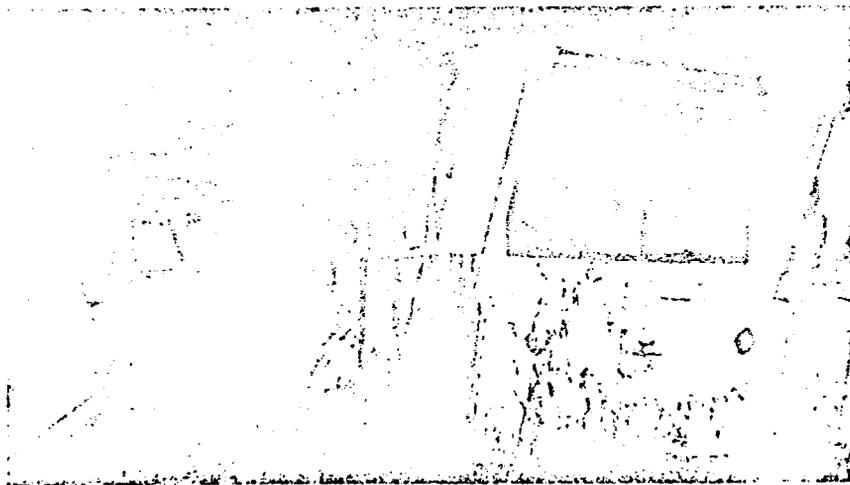
Your comments and suggestions are welcomed. □

NBS Studies Mobile Home Fire Safety

MOBILE HOMES now provide shelter for roughly one of every 27 Americans. Increasing concern over the potential fire hazards posed by mobile homes has prompted a comprehensive study by the National Bureau of Standards' Center for Fire Research.

Estimates indicate between

Continued on next page



Mobile home fires too often end in total destruction. A program to assess the fire safety of modern mobile homes is now in progress at NBS.

Photo courtesy of the Prince Georges County Fire Department, Bureau of Fire Prevention

National Fire Prevention and
Control Administration
Announces

the First National Conference on
"The Dynamics of Fire Prevention"

October 18-20

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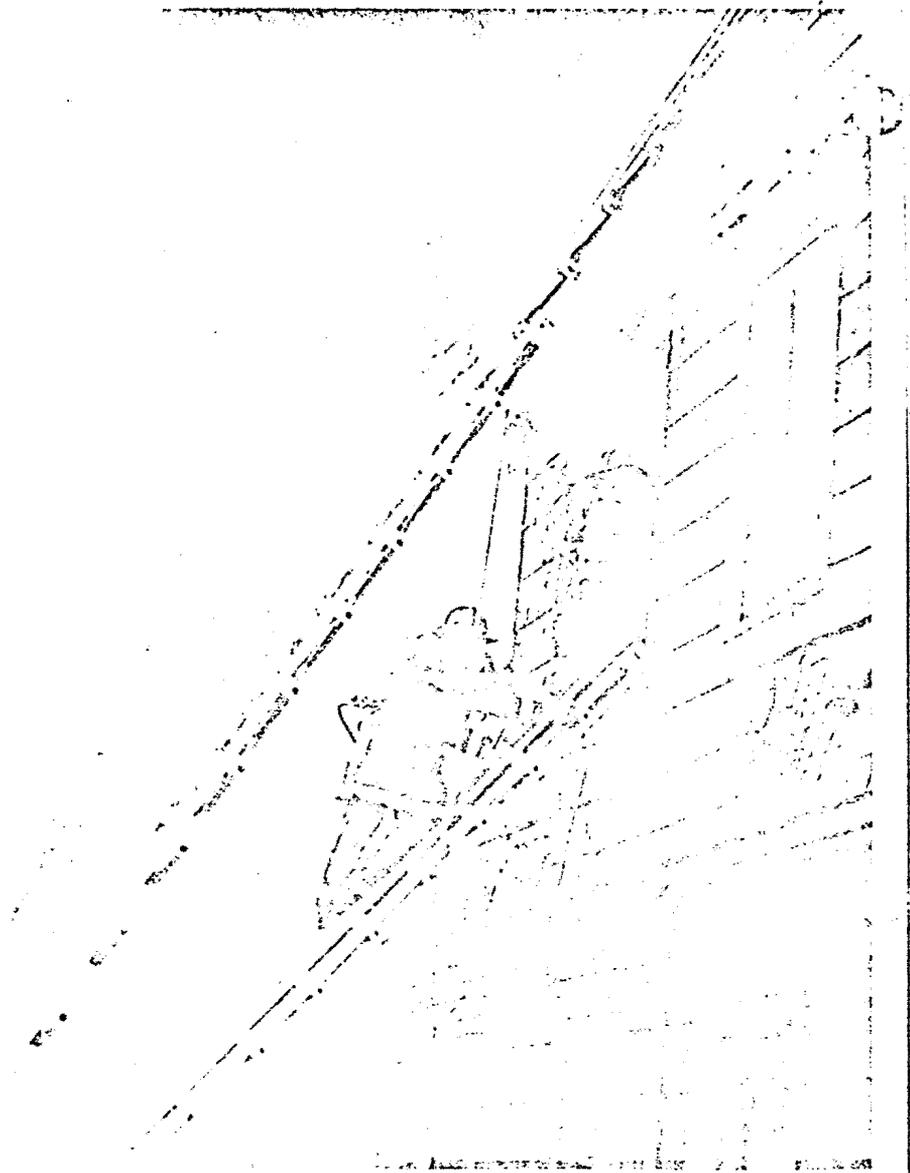
NBS STUDIES *continued*

2½-3 million mobile homes are currently in use in the United States. From 1960 to 1972, their production increased almost six times, from 103,700 in 1960 to 600,000 units in 1972.

Apparently, the fire incidence rate in mobile homes is no greater than for conventional housing; but the danger to life and property is reportedly three to five times greater in mobile homes.

Until recently, no systematic research studies had been done to determine the reasons for this apparent hazard. For the past year, however, the Center has conducted a project to develop a testing program to assess the fire safety of modern mobile home designs.

The studies are being carried out over a two-year period, during which a series of tests will be conducted to obtain experimental research data on the potential growth and spread of fire in a mobile home as affected by interior finish, layout, location of ignition and other special features. □



Firefighters in turnout coats battle heavy smoke at this two alarm fire. Several studies are underway to improve a

firefighter's "protective envelope." Photo courtesy of the Boston Fire Department, Fire Prevention Bureau

**NFPCA
Initiates
Studies**

THE SPECIAL needs of firefighters are being studied in technology programs initiated by the NFPCA National Fire Safety and Research Office. A major program with the National Aeronautics and Space Administration for improving a firefighter's "protective envelope" has begun and is being supported through research underway in several other studies.

The cooperative program with NASA covers the design, development, prototype fabrication, test and evaluation of improved clothing and equipment for use by firefighters. Technology and materials



developed for the Apollo and Skylab projects are being used in the development, and representatives from the firefighting community are assisting researchers in identifying priorities.

The project objectives include: improving firefighter safety by providing protection against heat, flame, smoke, toxic fumes, moisture, impact, penetration and electrical hazards; improving firefighter performance through better protection, reduced weight, increased maneuverability and reduced physiological stress; and, meeting price levels acceptable to the fire service and local communities. NASA recently completed a project to improve the breathing system for firefighters, and will incorporate those findings into the current study.

The Harvard University School of Public Health, in cooperation with the Boston Fire Department, is conducting studies to measure the actual structural fire environment faced by firefighters. This will help determine at what temperatures his protective equipment must function.

With the University of Maryland, the NFPCA is sponsoring studies to measure the physical abilities and requirements of firefighters. This program covers cardio-vascular strength, flexibility, agility and coordination. Tests are beginning with a sample of 100 firefighters chosen from the 3,000 active members of the six fire departments of the metropolitan Washington, D.C., area.

Data from these studies will be incorporated with information gathered by the International Association of Fire Fighters (AFL/CIO), under a grant from the NFPCA. The IAFF has conducted an investigation into causes of deaths of fire department personnel. One of the most surprising results of the study was the high incidence of fatal heart attacks. Of 101 on-duty deaths investigated, 45% of the firefighters died from heart attacks, 62% of those attacks occurring at the fire scene. The IAFF will soon publish a report of these findings. ■

Site Selection Board Announces Spring Plans

THE SITE Selection Board of the National Academy for Fire Prevention and Control has held its first hearings.

The 3-member Board held hearings March 22-23 in Washington, D.C., and March 25-26 in San Francisco. Oral proposals and comments on possible Academy sites were heard.

The deadline for filing proposals was April 25, and now the Board will evaluate those it received. In selecting a site for recommendation to the Secretary of Commerce, the Board can also consider sites identified through its own initiative.

The schedule of activities for the Board includes, from May 10-21, visits to those sites the Board feels are most suitable. By June 30, the Board will make its recommendations to the Secretary of Commerce through the NFPCA Administrator Howard D. Tipton. The Secretary will make his final decision by October 29, 1976. ■

New Library Seeks Old Books

THE NFPCA's National Fire Reference Service is forming a library collection of books, audiovisual materials, literature and documents to serve the needs of the fire community and the Administration's staff. The library is being designed to operate as a national clearinghouse for fire-related information, and initially will make materials available through inter-library loan. Eventually, the Reference Service hopes to prepare and disseminate information products which will be of benefit to the fire community.

The new library is having problems obtaining copies of older, out-of-print books and materials. In addition to technical and fire-service management books, other volumes that can provide historical continuity and flavor of the

fire service are needed: books such as "Fire and Firefighters" by John V. Morris (1953), "The American Firemen" by H. L. Champlin (1875), "The Third Alarm" by James L. Ford (1893), "Fire Alarm—The Story of Fire Fighting" by J. J. Floherty (1949), and the pictorial history "The Romance of Firefighting" by Robert S. Holzman (1956).

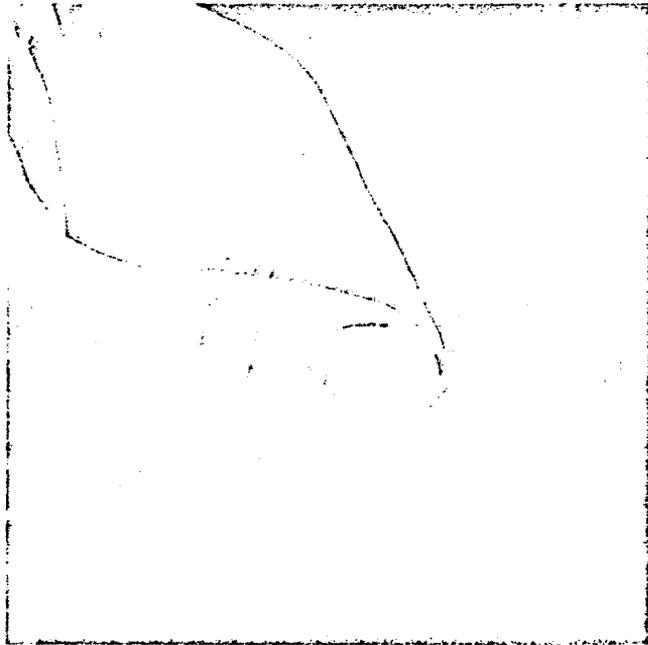
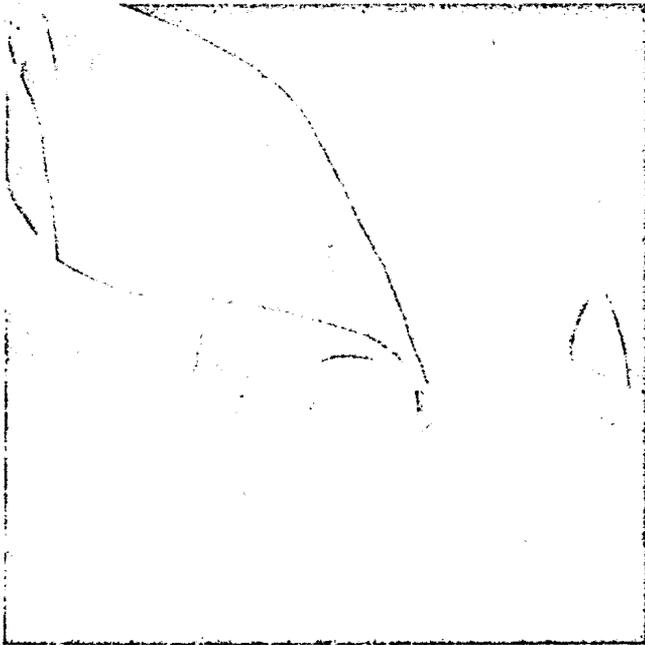
If you have old volumes or other materials you think the Reference Service would find useful, and you would like to donate them, please contact the Reference Service for mailing labels. Write: National Fire Prevention and Control Administration, Attn: Richard G. Katz, Reference Service, P. O. Box 19518, Washington, D.C., 20036. ■

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An accidentally dropped match can do a lot of damage, but now one company doing something to reduce this ger. The Diamond Match Division Diamond International Corporation,

New York, has introduced "Stoplite," a bookmatch which is treated so that it burns with about half the heat output of the standard bookmatch, and which goes out by itself half-way down the

match stem. Diamond is changing its entire bookmatch production to incorporate the Stoplite treatment process.

CHIEF ECONOMIST

- o Capital requirements for the future
- o Promoting productivity growth
- o Policies to alleviate unemployment
- o Current economic outlook and macroeconomic policies
- o Inflation and the incomes policies option

Bureau of the Census

- o Survey of Registration and Voting Statistics
- o Definition of a Farm
- o Impact of reporting reduction program on statistics
- o STATUS - A chart book of Social and Economic Trends

Bureau of Economic Analysis

- o Advisory Committee on GNP statistics
- o Implementation of the International Investment Survey Act of 1976

CAPITAL REQUIREMENTS FOR THE FUTURE

Background: In the past two years, considerable attention has been directed towards the possibility of a capital gap developing in the United States in the 1976-85 decade. The claim is advanced that our growth and productivity have slowed down, particularly in the past decade. Various studies have concluded that in order to advance technology, environmental protection, occupational health and safety, and greater energy independence that a larger investment share of Gross National Product than experienced in the past decade is needed.

The capital formation question is not only important from the viewpoint of promoting recovery and securing ample capacity in the economy at relatively full employment to avoid inflationary cost influences. At stake also is the potential for an advancement of the real wage rate at a faster rate than in the recent past and for added total real income per capita that might help solve a number of our social problems.

Issues:

1. Should we emphasize the alternative means of increasing productivity and output growth rather than accelerating tangible capital formation (i.e., structures, equipment, inventories, and natural resource development)?
2. Are our private and social economic goals, as predicated in the studies, important and urgent enough to warrant sacrificing more current consumption than in the past in order to enjoy higher consumption and social benefits in the future?
3. Is the U. S. tax system biased against saving and investment?

Assuming that the private investment (and saving) share of GNP should be increased in coming years which of various alternative policy measures to stimulate investment are preferable? The alternatives include:

- (1) Decreasing corporate income tax rates;
- (2) Eliminating the double taxation of dividends

through integration of personal and corporate taxes;

- (3) Permitting further acceleration of depreciation allowances for computation of net taxable income;
- (4) Permitting revaluation of depreciation allowances to reflect current replacement costs of fixed capital for tax purposes;
- (5) Pursuing macroeconomic policies to allow a higher rate of return on investment than in recent years, more comparable to rates in the mid-1960's;
- (6) Stimulating research and development outlays (with a tax credit, for example) which would tend to raise the prospective rate of return on new investment by development of new products and cost-reducing processes;
- (7) Clarifying and reforming regulations of business in order to remove the uncertainties of long-term planning stemming from government control.

Because stimulation of investment at high employment runs the risk of accelerating inflation, alternatives for increasing saving must also be considered and ranked as to preference. These alternatives include:

- (1) Planning Federal Government budget surpluses;
- (2) Stimulating personal saving, as by tax credits for saving; and
- (3) Stimulating corporate saving by measures which would include some of those proposed for investment.

Analysis of Issues:

Issue 1. Economic growth and productivity increases are dependent on intangible as well as tangible capital. Research has shown that a significant portion of the growth or improvement of productivity is due to intangible capital

and noncapital factors. Although a number of social studies of capital requirements suggest the necessity for greater investment as a share of Gross National Product, there may be a question about how important an increased investment share is in promoting our national economic and social goals relative to other measures.

Issue 2. How much present consumption to sacrifice in return for future increased consumption is a major question of dynamic allocation which must be answered by an economy. The social return on investment in terms of net product approximates 12 percent in the United States economy. The after-tax individual return on saving, however, is between 5 and 6 percent. With the past rate of growth in the economy, the Nation appears to find it difficult to meet its economic and social goals. If more investment could occur many of these goals would be met more fully from the increased future product. The counter argument, however, is that consumption is the end purpose of the economy and raising the investment (and saving) share comes at the expense of the consumer share. Questions concerning the appropriate distribution of income are also raised. The Nation has had significant growth periods in the past with an apparently ample share of investment. There is serious question whether the government should take on a concerted effort to stimulate the "proper" level of investment and saving. To make that claim implies that the government knows the preferences of its constituents better than the private market. The mix of housing versus fixed capital development must also be faced.

Issue 3. The tax system can be charged as being biased from two points of view. From the point of view of saving, it can be claimed that the tax structure does not permit a sufficient reward or net return on saving, which is far below the return on investment. Consequently, the price of consumption is too low at the margin. This is a major reason why the Nation cannot save a greater share of its income. If the government were to tax consumption dollars at the same rate as it taxes saving, the decision regarding the mix of saving and consumption would be put in better perspective.

On the other hand, the tax system can be criticized as being biased in favor of the wealthy of the Nation and in favor of those who can benefit from the deductibility of various costs from the corporate or personal tax base. The capital gains tax privilege and the myriad of tax shelters are evidence that the tax structure is in need

of serious reform in order that the Nation can make social and economic progress. Incentives for saving and investment should be viewed in the context of a more comprehensive reform of the tax system.

Schedule: The foregoing arguments are the essential points of discussion in a background paper presently being prepared for the Secretary's Business Advisory Council for its December discussion topic. The paper is scheduled for completion about December 1, 1976.

Promoting Productivity Growth

Background: The rate of growth of productivity in the U.S. private domestic business economy has slowed by about one-third since the mid-1960's, compared with the prior two decades. This is true whether productivity is measured by relating real product only to labor hours worked, as done by the Bureau of Labor Statistics, or to real labor plus nonlabor factor inputs, as is done in the studies by the National Bureau of Economic Research. The retardation of productivity growth has been associated with a slower growth of real average hourly labor compensation and real income per capita; it contributed to accelerating inflation through 1974 by aggravating the rise in unit costs; and it contributed to balance of payments problems and competitive difficulties of American goods in foreign trade.

Issue: It is unlikely that productivity advance will return to its 1947-66 trend in coming years unless special measures are adopted to promote it. This is the conclusion of Edward Denison, Jerome Mark and Clopper Almon in papers presented on November 16 at a symposium sponsored by the National Center for Productivity and Quality of Working Life; and in a paper by John Kendrick, "Productivity Trends and Prospects," printed by the Joint Economic Committee of Congress on October 1, 1976.

Since productivity promotion would involve some increase in the proportion of GNP devoted to investment, tangible and intangible, and to saving, the issue arises as to whether our people, individually and collectively through government, are willing to sacrifice more consumption out of income increments in the near term in order to enjoy higher rates of growth of productivity and real income over the longer run. To some extent, productivity advance can also be realized by altering institutional forms and practices. Here, too, there are costs and resistances which must be weighed against potential benefits.

Assuming the Government opts for stimulating productivity growth, the question becomes what are the policies that would be most effective towards that end.

Analysis of Issue: There is a considerable literature analyzing causes of productivity advance, and possible measures to promote productivity. Brief sketches of major types of causal factors, and the kinds of policy options available, are contained in Appendices A and B, which are memoranda from the Chief Economist to the Secretary of Commerce referring to a productivity policy paper prepared by the Council of Economic Advisers.

The policy issues are very complex, but the chief areas in which options may be selected are as follows: (1) Formulation of a comprehensive national science and technology policy, with the recently reestablished Office of the Science Adviser to the President serving as a focal point. The issues papers of the Assistant Secretary of Commerce for Science and Technology present many options to promote technological progress, which is the chief factor behind long-run productivity advance. Emphasis must be placed on reversing the decline in the ratio of R&D to GNP which has gone on for the past decade. In addition to increasing Federal funding at least in proportion to GNP growth, incentives for privately financed R&D are needed. An incremental tax credit is one promising approach. (2) Incentives to private fixed investment should be considered, since technological advances are embodied in capital goods to a large extent. Our issue paper "Capital Requirements for the Future" contains seven options for stimulating business investment, most directed towards raising the after-tax rate of return on investment. (3) Since increased knowledge and know-how are also embodied in people, measures to increase and improve educational and training activities are important. Subsidies to business for training labor force entrants, particularly those who have trouble finding employment, could be expanded. Income tax deductions for a portion of tuition and other educational expenses are another approach. Real public outlays per person for education should be kept on an upward trend. (4) As to the institutional framework, maintenance of workable competition through vigorous antitrust action is essential. But, exemptions from antitrust for desirable technological cooperation of firms (not involving price fixing) should be considered. Regulatory reform, including provision of incentives for increasing efficiency in utility rate regulation, should go forward. (5) The National Center

for Productivity and the Quality of Working Life should be strengthened to provide a focal point for developing Federal Government policies to promote productivity within both the public and private sectors.

Schedule: Since the cyclical recovery in productivity will probably come to an end in 1977, it is important that major legislative initiatives be taken by the new Congress. The promotion of productivity is, of course, a continuing concern, so that a longer-term program should be developed in conjunction with the National Center.

ABSTRACT OF SECRETARIAL CORRESPONDENCE

1:	X	The Secretary	The Under Secretary
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INFORMATION MEMORANDUM

FROM: Chief Economist for the Department of Commerce

SUBJECT: Background on Policies to Promote Productivity

On October 8, the Economic Policy Board will consider a "white paper" on policies to promote productivity, prepared by the Interagency Task Force on Productivity chaired by Burton G. Malkiel of the Council of Economic Advisers. It follows the paper dated September 13 on recent productivity trends and prospects for the future. That paper documented the slowdown in productivity growth that has occurred during the past decade. It concludes that whereas the rate of productivity advance will improve somewhat in coming years, it will not reattain the pre-1965 rate of growth under present policies. The paper of October 8 will discuss the major policy options which are available to accelerate productivity advance.

As a member of the Task Force on Productivity, I supplied the authors of the white paper with a copy of the paper I had written for the Joint Economic Committee of Congress (Attachment A to this memo), as well as contributing some ideas to the CEA staff members who drafted their paper. In an earlier paper for Mr. Rockefeller's Commission on Critical Choices for Americans, I had gone into policy options more deeply, and I also attach a copy of that paper (Attachment B). Finally, I attach a summary of the M.I.T. Conference on productivity which both you and I addressed last April (Attachment C) in case you missed it.

With respect to policy options to promote productivity advance, those advocated by Assistant Secretary Ancker-Johnson to advance science and technology form an important portion of any "menu" of possible policy measures directed toward the productivity problem generally.

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Her options are of two main varieties: those designed to stimulate investments in R&D, such as various types of tax incentives, subsidies, or direct government funding; and those designed to improve the legal and institutional framework of a general nature, such as changes in antitrust and patent laws, or of a specific institutional nature, such as expanding NTIS to provide technical services designed to accelerate the diffusion of innovations.

The field of policies for promoting productivity is considerably broader than those relating to scientific and technological advance, however, as indicated in the attached papers. It covers policies to promote tangible investments in new plants and equipment, and intangible investments in education and training, since new technology and know-how must be embodied in capital goods and workers.

It involves other human investments designed to improve the quality of labor input, such as outlays for health, safety, and mobility. It involves policies to promote economic (allocative) efficiency; to take advantage of potential economies of scale; and to reduce economic instability, particularly of a cyclical variety, which impacts productivity change. It involves possible policies designed to influence values and attitudes of individuals, making them more "productivity-minded" and receptive to the dynamic forces associated with technological progress. Finally, it involves possible changes and innovations in the legal and institutional framework to facilitate not only technological advance, but the other forces noted above.

At a later date, if you would like I could prepare in outline form a summary of policy options relating to all the major factors impinging on productivity advance. I will also plan to prepare comments on the CEA paper as soon as there is a chance to study it.

Attachments

ABSTRACT OF SECRETARIAL CORRESPONDENCE

The Secretary	The Under Secretary
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INFORMATION MEMORANDUM

FROM: Chief Economist for the Department of Commerce

SUBJECT: CEA Paper on "Improving Productivity Growth"

The CEA paper, while somewhat sketchy and partial in its analysis and presentation of policy options, will serve as a basis for discussion at the EPB meeting rescheduled for October 12, 1976. The background analysis of productivity trends contained in the CEA paper leads to the same conclusions that I reached in my paper for the Joint Economic Committee of Congress "Productivity Trends and Prospects" (October 1, 1976), copies of which were furnished to the CEA Task Force on Productivity and to you as Attachment A of my memo dated October 6, 1976. The conclusion was that there has been a marked slowdown in U.S. productivity advance during the past decade; and that whereas it is probable that productivity advance will be higher in the next decade, we will not return to the stronger trend-rate of 1947-1966 without adoption of new policies to promote productivity.

With regard to the recommendations, the strongest section of the paper relates to policies to encourage investment. Here, the various Administration proposals that have not been enacted are listed (p. 13). I agree with the emphasis on the proposed integration of the corporate and personal income taxes to eliminate gradually the present double taxation of dividends. The half of the benefits accruing to dividend recipients will help stimulate personal saving and consumption; while the half accruing to corporations will promote both business saving and investment.

I would like to have seen two additional proposals, however:
 (1) Recognition of replacement cost accounting in computing depreciation charges for income tax purposes would increase aftertax income, and would help to cushion the effect of a future acceleration

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of inflation on business income. Also, by reducing net income before tax and after tax, it would tend to reduce dividend payments and thus increase gross business saving as well as stimulating investment. (2) Further rationalization of the public investment-decision process, possibly through capital budgeting, would help to promote productivity in both the public and private sectors.

The section of the report on promotion of technical progress is weak, consisting chiefly of a discussion of increases in Federal funding of research and development. Important as this is, the many options available to stimulate private R&D and to promote the production and diffusion of innovations are completely passed over. I would strongly urge that you request Assistant Secretary Ancker-Johnson to select half-a-dozen or so of her more than 50 policy options which seem particularly important and timely to be written up for submission to the CEA and EPB for consideration in formulating the policies to promote productivity to be recommended in January. At a later stage, if you consider it appropriate, her entire technology paper might be made available.

In the meanwhile, I would stress (1) tax credits for private R&D, justified on the grounds that social returns exceed private returns on such outlays; and (2) creation of a new office of technical services--probably within the DOC, and possibly through expansion of NTIS--which would promote diffusion of technical knowledge and know-how, involving specific innovations.

With respect to institutional policies to promote efficiency (pp. 14-16), the paper stresses regulatory reform. This is good as far as it goes, but they overlook the possibilities of building incentives to efficiency into the techniques for regulating utilities and other natural monopolies. They also neglect the areas of antitrust laws and enforcement procedures, and foreign trade policies, to promote competition nationally and internationally. While they endorse some of the programs of the National Center for Productivity and the Quality of Working Life, they do not deal with the issue of strengthening (and possibly restructuring) that agency and others (such as the Office of the Science Adviser to the President) so that productivity promotion policies become a continuing concern for effective Federal involvement.

In the final section, the paper reaffirms the CEA's commitment to balanced growth (p. 16). Presumably, the 1977 Annual Report of

the Council will spell out the specific measures required to keep the economy on track in the coming year. As far as fiscal policy is concerned, this will involve specifying the extent to which the proposed tax reductions should be offset by reductions in the growth of Federal Government expenditures. This determination will depend on the strength of the expansion of private demand in the final quarter of 1976, and the likely prospects for the coming year. By latter December we will have a clearer notion of whether the anticipated pickup in economic recovery is actually taking place.

Policies to Alleviate Unemployment

Background: The level of unemployment in this recovery has proven very difficult to bring down. The economic surge in the first year after the recession low stemmed mainly from the turnaround in business inventories--the changeover from supplying much of current demand from the stocks of goods on hand to supplying it from current production--and from the tax cuts, rebates, and special payments, mostly in the second quarter of 1975. The economic stimulus from both of these sources had been very largely spent by the second quarter of this year, when retail sales turned sluggish and economic growth slackened markedly. The unemployment rate, which had fallen from the peak average of 8.7 percent in the second quarter of 1975 to an average of 7.4 percent in the same quarter of this year, rose to 7.8 percent in the third quarter and remained about unchanged in October. Despite the high unemployment, however, the rate of price inflation is still very high, and seems now to be declining very slowly at best.

Issue: The problem--essentially a policy dilemma--is how to bring down the rate of unemployment without at the same time causing price inflation to accelerate. A strong application of fiscal and monetary stimulus--tax cuts, tax rebates, increased Federal spending, accelerated growth in the money supply, lower interest rates, etc.--would be appropriate policies for high unemployment, but they could also stimulate the rise in prices, especially as unemployment is reduced.

Analysis of Issue: The remedies for high unemployment fall into two categories: macroeconomic policies--fiscal and monetary measures such as those listed above, which have an impact on the entire economy; and microeconomic policies, tailored to have a specific effect on unemployment with only a minimal influence on other aspects of the economy, particularly on prices.

It is quite possible that a certain amount of macro-economic stimulation will be in order next year, if only because the Federal budget figures and prospects indicate that we may fall somewhat short of the degree of stimulus originally projected--which would have placed the budget in an essentially neutral position, neither stimulating nor restraining the economy. In addition, the econometric models used for forecasting suggest that a tax rebate of moderate size would have a small beneficial effect on the unemployment rate, with almost no impact on inflation.

The microeconomic policies that have been proposed chiefly involve improving the operation of the labor market by lessening the so-called structural problems--the difficulty of fitting persons now unemployed into the available jobs. This would involve, basically, improving the flow of information about job openings and job applicants, and improving the training and education of jobseekers so that they can fill the openings available. A computerized nationwide job data bank is now technically feasible, and could be tried. Other policy options would include an increase in training programs under the Comprehensive Employment and Training Act; tax credits and technical assistance to induce more firms to provide on-the-job training programs; and wage supplements paid for a limited time to firms hiring youths 16-24 years of age, to make up the gap between the legal minimum wage which they must be paid, and the value of their output to the firm. A two-tier minimum wage would work in the same direction, but would meet greater political opposition. The possibility of paying wage supplements to encourage the hiring of relatively inexperienced older workers could also be considered.

Schedule: The above policy measures could be introduced one at a time, over a period, since the amount of government effort required would depend on how quickly the strengthening expected in the private sector was acting to reduce the level of unemployment. The time required for congressional enactment of these proposals would of course be a basic factor controlling their implementation.

Note: This issue is treated at greater length in the "Economic Outlook and Job Creation Strategies" paper included under the "General" heading.

Current Economic Outlook and Macroeconomic Policies

Background: While the present recovery exceeded slightly the average of the past four recoveries in its first year, it has since fallen somewhat behind. In the first year of recovery, real GNP grew at the annual rate of 7.3 percent. The rate slowed considerably to 4.5 percent in the second quarter of 1976 and to less than 4.0 percent in the third, or an average annual rate of 4.2 percent. In the first half of the second year in previous postwar recoveries, real GNP has increased 5.6 percent (after adjusting for the 1958 steel strike).

Although total employment has increased more than 1.0 million since March, the slower rate of real growth and an unusually large rise in the labor force reversed the downward trend in the unemployment rate. By October, unemployment was again almost 8 percent of the labor force.

Consumer price increases were relatively moderate in September and October. On the other hand, the Wholesale Price Index accelerated noticeably. In the past five months the rise in wholesale prices of industrial commodities was significantly greater than in the preceding five months, in spite of the lack of excessive demand. In a few cases, such as fuels, lumber, transportation equipment and rubber, special factors accounted for the acceleration in commodity prices.

There are some indications that the rate of real economic growth may pick up in the fourth quarter and will carry over into 1977. Among the positive signals are the recent increases in housing starts and building permits; a continued rise in new orders for nondefense capital goods and several optimistic surveys of business intentions for capital spending in 1977; the possibility that some of the shortfall in Federal spending during the first nine months of the year, particularly defense outlays, will be made up in the final three months of the year; and a modest rise in the average workweek in October.

At the same time, such data as employment, unemployment, retail sales, and industrial production for October, new car sales for the first ten days of November, and retail sales for the first two weeks of November suggest that economic activity in the quarter has started off slowly. In part, the slow start reflects the impact of various labor disputes.

While it is evident that the growth rate of the economy slowed during the middle quarters of 1976, it is advisable to wait until results for the fourth quarter are available before deciding what policy actions are appropriate. However, unless business investment outlays accelerate and government purchases rise more rapidly than in earlier quarters, it is doubtful that the strength in residential construction will be sufficient to increase employment and lower unemployment enough to generate the rising incomes necessary to produce an acceleration of consumer spending and economic growth in the last quarter of 1976.

Issue: If the fourth quarter economic data confirm that real economic growth continued to lag and that growth will not pick up even in early 1977, a program of stimulative measures would be called for. In that case the major questions are:

1. What specific stimulative measures do we need and for whom?
2. How much additional stimulus is appropriate?
3. When should such measures be implemented?

Analysis of Issue:

1. What are the options for stimulative measures?

(See attached table.)

2. How much stimulus is appropriate? If a stimulus is desirable the magnitude will depend on an assessment of how weak the economy appears. Most views on the need for a stimulus suggest a tax cut of between \$5 and \$15 billion. A \$5 billion tax package would have very little impact on an economy as large as ours; a \$15 billion package would be less than the initial \$23 billion tax package enacted in early 1975 but comparable to the net amount extended in the fall of 1976. By comparison, a \$15 billion tax cut and last year's \$23 billion tax package, as a percent of total receipts, are both smaller than the tax cut enacted in 1964 to stimulate the economy.

3. When should such measures be implemented? If stimulative measures are desirable, they should be implemented immediately after the new Congress convenes in order to reduce the likelihood that the impact will be realized after it is needed.

Options for Stimulative Measures

Action

Pros

Cons

1. Immediate tax rebate

1. Will improve consumer sentiment and thus encourage consumption and provide incentive for investment and inventory expansion.

2. Doesn't permanently reduce government revenues needed to finance future spending.

3. Can be implemented quickly since doesn't require a change in withholding rates.

1. One time rebate doesn't significantly affect private spending patterns.

2. Doesn't directly encourage investment which is necessary for more rapid growth and increased productive capacity.

3. Could generate increased inflationary pressures.

2. Broad based, permanent tax cut

1. Will stimulate both consumption and investment directly, providing production, jobs, incomes.

2. A permanent tax cut is more likely to encourage consumption than a one time rebate.

1. Reduces resources available for future government spending.^{1/}

2. Could generate increased inflationary pressures.

3. Could take too long to enact, and its impact would come at wrong time.

4. Would be implemented through reduced withholding rates, thereby blunting the potential impact on consumption because weekly or monthly increase in take-home pay would be modest.

3. Business tax change

1. Will increase cash flow and rate of return and thus encourage investment which in turn will stimulate consumption.

1. Will not directly stimulate consumption thus, no great incentive to invest, particularly since already have unutilized capacity.

^{1/} It should be noted that the tax cuts extended in 1976 are scheduled to expire at the end of 1977. If they are allowed to expire, this would compensate in part or in whole for new permanent tax cuts.

Options for Stimulative Measures (continued)

Action

Pros

Cons

	<p>2. Depending on the form of the tax change (e.g., deferral of social security or unemployment insurance taxes) could provide a stimulus to business and at the same time remove some pressure for price increases which would help hold down further inflationary pressures.</p>	<p>2. Points 1-3 in item 2 above.</p>
<p>4. Direct spending programs</p>	<p>1. Have a greater multiplier than a tax cut.</p> <p>2. Can pinpoint impact on the unemployed or construction industry.</p> <p>3. Increased grants to State and local governments could be coupled with requirement of lower sales taxes, thus helping to hold down prices.</p>	<p>1. Increases level of government spending.</p> <p>2. Spending programs are slow to start up, frequently have an effect long after their need.</p>
<p>5. More expansionary monetary policy</p>	<p>1. Generally has a greater impact on investment than fiscal policy.</p> <p>2. Does not require congressional action, thus could be implemented faster if FRB cooperates.</p> <p>3. Can be reversed.</p>	<p>1. Generally takes longer to have an impact.</p> <p>2. Could generate increased inflationary pressures.</p>

Inflation and the Incomes Policy Option

Background: In the post World War II period a variety of approaches has been used to help control or modify price and wage behavior in order to restrain inflation and avoid undermining the achievement of various goals such as full employment, balanced budgets, improved balance of payments and expanded social programs. With rapid double digit inflation of recent years, the inflation issue has assumed an increasingly central role in the development of economic policy. Since the devaluations of 1971 and 1973, price levels in the domestic economy have become more sensitive to sectoral shifts in production and consumption and to conditions in the international markets. The inflationary shock of the embargo imposed by the Organization of Arab Petroleum Exporting Countries (OAPEC) and the oil price hikes of 1973-1974, along with the general commodity inflation of that period related to devaluation, a world-wide boom and some production disruptions, was aggravated and made more visible in the U.S. by the formal wage-price controls in place at the time. The recent experience with inflation acquainted the public and policymakers with the many causes of inflation, the inflation process itself, and the impossibility of control or significant modification of inflation by use of wage-price controls alone. A brief discussion of the recent experience and some observations are provided in Appendix A. Briefly, they suggest that a wage-price policy approach cannot, by itself, be effectively used to counteract policy errors, demand-pull inflation, or structural impediments to achieving reductions in the rate of increase of inflation.

Issue: In the present context of excess capacity and high unemployment, the economy may need some additional fiscal stimulus. However, different forms of stimulus have different implications for inflation, growth, and productivity. Since many analysts assume that stimulative measures will generate increased inflation, some have advocated an incomes policy to help reduce or offset potential additional expansion-induced inflation or inflationary expectational effects.

Analysis of Issue: As used here, the term "incomes policy" refers to wage-price guidelines and public hearings or similar devices which are designed to persuade business and labor to

exercise restraint on wages and prices. In the context of the discussion above and in Appendix A, it is assumed that existing efforts in other regulatory, administrative, and policy areas will also continue, be expanded and/or new approaches will be initiated whether or not the "incomes policy" option is actively pursued. The discussion will of necessity be general and not consider such variations to a guidelines approach as the "social compact" or "real wage guarantee" concepts suggested by Arthur Okun, Charles Schultze, William Nordhaus, and others. Most of these concepts will require further elaboration by the authors before much analysis can be done.

The "incomes policy" concept used in this overview consists of two elements:

- ° Public hearings and similar public fact-finding approaches.
- ° Wage-price guidelines.

One implication of the first element is that a major effort will be required to analyze past sectoral price and wage behavior, and to monitor current, and project likely future, events. These analyses, in turn, imply action and public policy guidelines in other areas in order to provide a framework for sectoral wage-price discussions and public hearings, so as to establish general public knowledge as to governmental goals. What is considered by the government to be "fair" or "reasonable" wage-price behavior by the private sector will undoubtedly undergo considerable change as hearings and discussions progress.

Regarding the second element, wage-price guidelines, to obtain an historical perspective it may be useful to consider the original guides (the "guidepost" term was to be used later) for noninflationary wage (including fringe benefits) and price behavior, these were provided initially as a basis for public discussion by the Council of Economic Advisors in the Economic Report of the President, 1962, p.139. The original wage and price guides, and four specific modifications or exceptions are included for reference in Appendix B. Since these "guides" were later modified, and lost much of the original flexibility, and then became numerical guideposts and were "politicized,"

it is perhaps useful to note that the initial proposals were fairly complex. While the wage and price "guides" were relatively simple concepts, the adjustments and possible corrections made their application anything but mechanical. Initially, neither the guides nor the modifications were given specific quantitative limits.

A more thorough discussion of the evolution and use of the wage-price guideposts can be found in John Sheahan, The Wage-Price Guideposts and portions of the 1975 Brookings volume, Exhortation and Controls A brief bibliography on inflation and wage-price policy is included as Appendix C.

At this stage of the analysis it would be somewhat premature to go into the various analytical, statistical, legal and operational issues which are important elements if an incomes policy is to be pursued. Perhaps more important, initially, is to consider the effects on business planning and expectations before public statements on "incomes policy" are made. The history of inflation policy in the last fifteen years would suggest that business could interpret or misinterpret statements 1/ regarding "incomes policy," even in the limited context of this discussion, as the main focus, rather than a possible part of, forthcoming inflation policy. Given the past experience with guidelines, which gradually increased in their influence over wage-price decisions, price increases could make a controls prophesy a self-fulfilling proposition.

Schedule: At this stage, a timetable for decisions or further analysis would be premature, the major exception, perhaps, being the avoidance of premature statements.

1/ See, for example, New York Times (November 11, 1976, p.1).