



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 91st CONGRESS, FIRST SESSION

Vol. 115

WASHINGTON, TUESDAY, MAY 20, 1969

No. 82

Senate

S. 2207—INTRODUCTION OF A BILL TO PROVIDE MORE FLEXIBLE MORTGAGE LIMITS

Mr. MONDALE. Mr. President, I introduce today, for appropriate reference, a bill, jointly authored by Senator JAVITS and myself, to amend section 235 of the National Housing Act. Upon discovering that we were each working on this matter independently, Senator JAVITS and I decided to pool our efforts and produce a jointly authored bill.

The purpose of this bill is to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families.

BACKGROUND

All Federal housing assistance programs impose maximum limits on total dwelling development costs to insure that only modestly priced housing is built under these programs. These maximum limits vary according to program—public housing, 221(d)(3), 236, and 235—and from area to area. Each program recog-

nizes that higher development cost limits must be allowed in high-cost areas where land and labor costs are higher. Generally speaking, the allowances for high-cost areas provided by statute for public housing and FHA multifamily programs like 221(d)(3) and 236 are realistic and adequate. This is not the case for the new 235 homeownership program. As a result, there are strong indications that the 235 program will often not prove to be economically feasible in many high-cost metropolitan areas—like New York City, Chicago or Washington, D.C.—which have some of the most severe housing problems in the Nation.

Joseph Gabler, Director of the FHA in Minnesota, has informed me that "the single major difficulty" of the section 235 program is the fact that the present mortgage limits "make it almost impossible to utilize section 235 in the metropolitan areas" of Minnesota. He points out that in the cities the only way to get new construction under this program is to build on urban renewal land where the cost has been lowered considerably below the market level.

The proposed amendment would give the Secretary of Housing and Urban Development the authority and flexibility to correct this problem when and where it arises.

THE NEED FOR THE AMENDMENT

In many high-cost areas, rental buildings costing up to \$19,000 or more per unit are now being built under the public housing, 221(d)(3) and 236 programs. Given today's high construction costs, these buildings are not elaborate structures. Present law establishes considerably lower cost limits in high-cost areas for houses built under the section 235 program than for those built under the rental programs, even though the income limits of the persons to be served by the 235 and 236 programs are exactly the same. This is paradoxical because the cost of detached or semidetached houses on separate lots is considerably greater than the cost of garden apartments. As a result, many builders in high-cost areas will be discouraged by the stringent cost limits from using the 235 program, thus frustrating Congress' purpose of widening opportunities for homeownership.

An example will help indicate how the present cost limits may inhibit production. Suppose a builder has an option on a tract of land on which section 235 houses might be built. Let us assume that the land has certain environmental deficiencies—like location in a deteriorating urban area—so that houses could not be sold if they were financed conventionally. In determining whether or not to exercise the option, the builder estimates all his costs—including a small allowance for profit—if he were to build houses under section 235. Let us assume further that his estimated costs total \$17,000, which is below the present statutory cost limit of \$17,500 in high-cost areas. He will still probably choose not to take the land and participate in the program. He reasons that he will not complete construction for about 2 years, and that inflation may well erode his entire margin of safety by that time. Given the rapid rise of labor costs, interest rates, and lumber prices in the last few years, his actual costs may well exceed \$17,500, thereby destroying his profit

margin. He is not certain that this will occur, but the chance is great enough to dissuade him from taking the risk. The existence of rigid statutory cost limits is the cause of this problem. If the builder knows that the Secretary of HUD has the authority to raise cost limits in response to inflation, he will be more likely to participate in the program. But he is obviously less confident that Congress will be able to act in time to adjust existing statutory cost limits in response to inflation.

THE AMENDMENT AND ITS EFFECT

The basic statutory development cost limit—technically it is the limit on the amount of the mortgage—under the section 235 program is \$15,000. The limit can be increased to \$17,500 for families of five or more persons. Under present legislation, an additional allowance of \$2,500 is allowed for high-cost areas.

Experience indicates that this allowance will be clearly inadequate in the years ahead. The 221(d)(3) and 236 programs permit development costs of up to 45 percent higher than their basic cost limits in high-cost areas. The proposed amendment, which adopts the language of sections 221(d)(3) and 236, would apply the 45-percent formula for high-cost areas that is used under these two sections to the 235 program.

Thus, the basic mortgage limits for ordinary sales units, units in cooperatives, and units in condominiums under section 235 would remain at \$15,000—and \$17,500 where the mortgagor's family includes five or more persons. But under the amendment, the Secretary would have the power to raise these limits up to 45 percent "in any geographical area where he finds that cost levels so require."

It should be emphasized that this amendment would not necessarily result in higher cost units being built under 253. Rather, the amendment would give the Secretary the flexibility to raise the development cost limits in high-cost areas where spiralling costs require such an increase. The current allowance of \$2,500 does not give him sufficient flexibility.

It should also be pointed out that this amendment would not increase the monthly payments of many lower income families, since they will still pay

20 percent of their income. For those families who receive the maximum subsidy under the law, their cost per month would go up slightly in these high-cost areas. However, these families will still be better off, since there would be very little opportunity for families in high-cost areas to buy houses under section 235 in its present form; the builders are simply not going to participate in the program in such areas.

As a result of this amendment, builders concerned about meeting cost limits will be just as likely to build sales units as they would rental units in most of our metropolitan areas. The end result will be to fully effectuate the purpose of the 235 program, which is now in serious trouble in those metropolitan areas of the country.

The VICE PRESIDENT. The bill will be received and appropriately referred.

The bill (S. 2207) to amend section 235 of the National Housing Act to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families, introduced by Mr. MONDALE (for himself and Mr. JAVITS), was received, read twice by its title, and referred to the Committee on Banking and Currency.

Mr. JAVITS. Mr. President, I am today joining the Senator from Minnesota (Mr. MONDALE) in a bill, which he has just offered for us both, and I ask unanimous consent that my remarks, together with a copy of the bill, may appear in the appropriate place in the RECORD.

The VICE PRESIDENT. The remarks and bill will be printed in the RECORD at an appropriate place.

Mr. JAVITS. Mr. President, it has become increasingly clear in the past few months that the success of section 235, homeownership, program has been put in doubt by the present statutory cost limitations. Under section 235, the maximum mortgage amount for a house of three bedrooms or less is \$15,000, or \$17,500 in high-cost areas. Since downpayments must be kept low in this program which is designed for persons of low or moderate income, these maximums on mortgage amount naturally lower ceilings on sales prices.

In high-cost areas the section 235 program has had little impact because these statutory cost limits are much too low and builders are reluctant to get involved in the face of rapidly escalating construction costs. For example, 6 years ago the median price of new single-family houses built in the Washington area was \$21,300. By 1966, it had increased to \$26,500, and it has now increased to \$32,500. At the end of 1968, census data show that only 11 percent of new houses sold in the West and Northeast were priced at under \$17,500, and in the North Central United States only 8 percent were. The problem is particularly serious

near the center of major metropolitan areas where high land and labor costs make the statutory maximum cost limitations in section 235 particularly serious. An FHA survey early this year in the Washington, D.C., area uncovered no new single-family houses on the market with sales prices under \$17,500. Thus, in the very areas in which this program is most needed, the housing industry is least able to meet the need.

In the face of this situation, Senator MONDALE and I—individually—were preparing legislation to amend section 235, to make the statutory cost limitations more flexible. We have decided to join in offering this bill, which would authorize the Secretary of Housing and Urban Development to increase the cost limitations by up to 45 percent in high-cost areas. Such an amended limitation on costs in high-cost areas would be consistent with a similar provision of the section 221(d) (3) program.

Such an amendment to section 235 at this time is crucial, for there is every reason to believe that costs will continue to rise. Lumber products have undergone an unprecedented price rise in the last 2 years, prompting congressional hearings and administrative action. Land and labor costs have been consistently going up, and, of course, we are all aware of the almost unprecedented increases in financing charges.

Recent statistics from the Department of Housing and Urban Development indicate that the statutory maximums have limited activity under the section 235 program in New York and in other comparable high-cost areas throughout the Nation. In a letter to me of May 16, 1969, William B. Ross, Acting Assistant Secretary-Commissioner, Federal Housing Administration, noted:

In New York City there has been absolutely no activity under the Section 235 program. . . . To date, reservations have been requested for only 32 units for the city of Albany and 61 units for the city of Buffalo. Our experience in other major cities is very similar.

Mr. Ross continues:

When we consider the activity this program has engendered throughout the nation and the backlog of requests for assistance amounting to over 60,000 units which we have not been able to fund, we can better judge the impact of the cost limits in the high cost areas.

Mr. President, I ask unanimous consent that the correspondence with Mr. Ross be inserted in the CONGRESSIONAL RECORD at the conclusion of my remarks.

The VICE PRESIDENT. Without objection, it is so ordered.

(See exhibit 1.)

Mr. JAVITS. Mr. President, this increase in the statutory cost limitations in high-cost areas in the section 235 homeownership program has been en-

dorsed by several major groups. At its recent conference, the National Housing Conference approved a resolution calling for such an amendment, and in recent hearings on lumber price increases before the Housing Subcommittee of the Senate Banking and Currency Committee, the National Association of Home Builders recommended that a 45-percent increase in costs for high-cost areas be allowed under section 235. Also, in a letter to Housing and Urban Development Secretary George Romney, the Council of Housing Producers stated:

Housing costs have increased approximately 10% or more since legislation was first drafted for the 1968 Housing Act. HUD should ask for legislation which would regulate increases on statutory limits for 235 and 236. With costs increasing as they have been in the past two years, it will be almost impossible, in many areas, to build single family housing within the present limitations. . . . Money will go unused in many cities because producers will not be able to build single family homes within the limitations.

Mr. President, I am pleased to join Senator MONDALE in offering this bill. I hope that it will have early and serious consideration in the Congress.

EXHIBIT 1

MAY 15, 1969.

Mr. MORTON BARUCH,
Director, Low and Moderate Income Housing,
Department of Housing and Urban Development,
Washington, D.C.

DEAR MR. BARUCH: I am deeply concerned about the possible impact of present statutory cost limits for high-cost areas in section 235 of the National Housing Act. It has been brought to my attention that the present limits are seriously inhibiting the success of this program in certain areas of the nation. Accordingly, I am considering introduction of legislation to amend section 235 to increase the cost limitations to 45 percent of existing dollar-limitations in certain geographical areas to be designated by the Secretary of Housing and Urban Development. Such a provision would be consistent with present limitations in "below market interest rate" programs.

In connection with this matter, could you indicate to me the number of applications and the general level of activity under the section 235 program in the New York Regional Office of the Department of HUD. In addition, I would appreciate information as to the level of activity in other areas of the nation with cost figures similar to that of the New York Region.

I would deeply appreciate your immediate attention to this matter. Please relay any information to my legislative assistant, Emil Frankel, in Room 320, Old Senate Office Building (225-6542).

With best wishes,
Sincerely,

JACOB K. JAVITS.

DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT, FEDERAL HOUSING
ADMINISTRATION,

Washington, D.C., May 16, 1969.

HON. JACOB K. JAVITS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JAVITS: I am replying to your letter of May 15, 1969, addressed to Mr. Morton A. Baruch of my staff concerning the statutory limits which have been established for the Section 235 homeownership program.

From our experience with the initial assistance funding made available to the program it would appear that the statutory maximums have limited activity in New York and other comparable high cost areas throughout the nation. In New York-City there has been absolutely no activity under the Section 235 program either for project proposals for five or more units or on an individual basis for proposals involving four or less units. To date, reservations have been requested for only 32 units for the city of Albany and 61 units for the city of Buffalo. Our experience in other major cities is very similar. Assistance has been requested for only 181 units in Chicago; 250 units in Detroit; 73 units in Los Angeles and there have been no requests for assistance in the cities of San Francisco and Boston.

When we consider the activity this program has engendered throughout the nation and the backlog of requests for assistance amounting to over 60,000 units which we have not been able to fund, we can better judge the impact of the cost limits in the high cost areas.

You may be assured that within the legislative constraints every possible effort will be made to provide assistance to these areas by stressing the utilization of the Section 235(j) nonprofit rehabilitation program as well as rehabilitation under the regular homeownership assistance program. We will also permit maximum utilization of that percentage of funds available for existing housing.

In view of your request for our immediate response in this matter, I am having this letter hand carried to your office.

Sincerely yours,

WM. B. ROSS,
Acting Assistant Secretary-Commissioner.

The text of the bill is as follows:

S. 2207

A bill to amend section 235 of the National Housing Act to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 235 of the National Housing Act is amended—

(1) by striking out the last proviso in subsection (b) (2) and inserting in lieu thereof the following: “: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of \$15,000 (or \$17,500, if the mortgagor's family includes five or more persons), except that the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require”; and

(2) by redesignating subparagraph (C) of subsection (i) (3) as subparagraph (D), and by striking out subparagraph (B) of such subsection and inserting in lieu thereof the following:

“(B) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount (i) in the case of a single-family dwelling, not to exceed \$15,000 (or \$17,500, if the mortgagor's family includes five or more persons), or (ii) in the case of a two-family dwelling, not to exceed \$20,000: *Provided*, That the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require;

“(C) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding \$15,000 (or \$17,500, if the mortgagor's family includes five or more persons), except that the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require; and”.



"The purpose of this bill is to provide more flexible mortgage limits in order to encourage the development of homeownership in high-cost areas for lower income families. . . . If a builder knows that the Secretary of HUD has the authority to raise cost limits in response to inflation, he will be more likely to participate in the Sec. 235 program."

-Senator Walter F. Mondale

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The proposed amendment would give the Secretary of Housing and Urban Development the authority and flexibility to correct this problem when and where it arises.

THE NEED FOR THE AMENDMENT

In many high-cost areas, rental buildings costing up to \$19,000 or more per unit are now being built under the public housing, 221(d)(3) and 236 programs. Given today's high construction costs, these buildings are not elaborate structures. Present law establishes considerably lower cost limits in high-cost areas for houses built under the section 235 program than for those built under the rental programs, even though the income limits of the persons to be served by the 235 and 236 programs are exactly the same. This is paradoxical because the cost of detached or semidetached houses on separate lots is considerably greater than the cost of garden apartments. As a result, many builders in high-cost areas will be discouraged by the stringent cost limits from using the 235 program, thus frustrating Congress' purpose of widening opportunities for homeownership.

An example will help indicate how the present cost limits may inhibit production. Suppose a builder has an option on a tract of land on which section 235 houses might be built. Let us assume that the land has certain environmental deficiencies—like location in a deteriorating urban area—so that houses could not be sold if they were financed conventionally. In determining whether or not to exercise the option, the builder estimates all his costs—including a small allowance for profit—if he were to build houses under section 235. Let us assume further that his estimated costs total \$17,000, which is below the present statutory cost limit of \$17,500 in high-cost areas. He will still probably choose not to take the land and participate in the program. He reasons that he will not complete construction for about 2 years, and that inflation may well erode his entire margin of safety by that time. Given the rapid rise of labor costs, interest rates, and lumber prices in the last few years, his actual costs may well exceed \$17,500, thereby destroying his profit margin. He is not certain that this will occur, but the chance is great enough to dissuade him from taking the risk. The existence of rigid statutory cost limits is the cause of this problem. If the builder knows that the Secretary of HUD has the authority to raise cost limits in response to inflation, he will be more likely to participate in the program. But he is obviously less confident that Con-

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It should also be pointed out that this amendment would not increase the monthly payments of many lower income families, since they will still pay 20 percent of their income. For those families who receive the maximum subsidy under the law, their cost per month would go up slightly in these high-cost areas. However, these families will still be better off, since there would be very little opportunity for families in high-cost areas to buy houses under section 235 in its present form; the builders are simply not going to participate in the program in such areas.

As a result of this amendment, builders concerned about meeting cost limits will be just as likely to build sales units as they would rental units in most of our metropolitan areas. The end result will be to fully effectuate the purpose of the 235 program, which is now in serious

trouble in those metropolitan areas of the country.

The VICE PRESIDENT. The bill will be received and appropriately referred.

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Mr. JAVITS. Mr. President, I am today joining the Senator from Minnesota (Mr. MONDALE) in a bill, which he has just offered for us both, and I ask unanimous consent that my remarks, together with a copy of the bill, may appear in the appropriate place in the RECORD.

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Mr. JAVITS. Mr. President, it has become increasingly clear in the past few months that the success of section 235, homeownership, program has been put in doubt by the present statutory cost limitations. Under section 235, the maximum mortgage amount for a house of three bedrooms or less is \$15,000, or \$17,500 in high-cost areas. Since down-payments must be kept low in this program which is designed for persons of low or moderate income, these maximums on mortgage amount naturally lower ceilings on sales prices.

In high-cost areas the section 235 program has had little impact because these statutory cost limits are much too low and builders are reluctant to get involved in the face of rapidly escalating construction costs. For example, 6 years ago the median price of new single-family houses built in the Washington area was \$21,300. By 1966, it had increased to \$26,500, and it has now increased to \$32,500. At the end of 1968, census data show that only 11 percent of new houses sold in the West and Northeast were priced at under \$17,500, and in the North Central United States only 8 percent were. The problem is particularly serious near the center of major metropolitan areas where high land and labor costs make the statutory maximum cost limitations in section 235 particularly serious. An FHA survey early this year in the Washington, D.C., area uncovered no new single-family houses on the market with sales prices under \$17,500. Thus, in the very areas in which this program is most needed, the housing industry is least able to meet the need.

In the face of this situation, Senator MONDALE and I—individually—were preparing legislation to amend section 235, to make the statutory cost limitations more flexible. We have decided to join in offering this bill, which would authorize the Secretary of Housing and Urban Development to increase the cost limitations by up to 45 percent in high-cost areas. Such an amended limitation on costs in high-cost areas would be consistent with a similar provision of the section 221(d)(3) program.

Such an amendment to section 235 at this time is crucial, for there is every reason to believe that costs will continue to rise. Lumber products have undergone an unprecedented price rise in the last 2 years, prompting congressional hearings and administrative action. Land and labor costs have been consistently going up, and, of course, we are all aware of the almost unprecedented increases in financing charges.

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Director, Low and Moderate Income Housing,
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I would deeply appreciate your immediate attention to this matter. Please relay any information to my legislative assistant, Emil Frankel, in Room 320, Old Senate Office Building (225-6542).

With best wishes,
 Sincerely,

JACOB K. JAVITS.

DEPARTMENT OF HOUSING AND URBAN
 DEVELOPMENT, FEDERAL HOUSING
 ADMINISTRATION,

Washington, D.C., May 16, 1969.

Hon. JACOB K. JAVITS,
 U.S. Senate,
 Washington, D.C.

DEAR SENATOR JAVITS: I am replying to your letter of May 15, 1969, addressed to Mr. Morton A. Baruch of my staff concerning the statutory limits which have been established for the Section 235 homeownership program.

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Sincerely yours,

WM. B. ROSS,

Acting Assistant Secretary-Commissioner.

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Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 235 of the National Housing Act is amended—

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(2) by redesignating subparagraph (C) of subsection (1) (3) as subparagraph (D), and by striking out subparagraph (B) of such subsection and inserting in lieu thereof the following:

"(B) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount (i) in the case of a single-family dwelling, not to exceed \$15,000 (or \$17,500, if the mortgagor's family includes five or more persons), or (ii) in the case of a two-family dwelling, not to exceed \$20,000: *Provided*, That the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require;

"(C) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding \$15,000 (or \$17,500, if the mortgagor's family includes five or more persons), except that the Secretary may, by regulation, increase the foregoing dollar amount limitations by not to exceed 45 per centum in any geographical area where he finds that cost levels so require; and"



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No. 112

ENVIRONMENTAL QUALITY

HON. GAYLORD NELSON

OF WISCONSIN

IN THE SENATE OF THE UNITED STATES

Tuesday, July 8, 1969

Mr. NELSON. Mr. President, at the commencement exercises of Winona State College in early June, the Senator from Minnesota (Mr. MONDALE) spoke to graduating seniors on the environment they will inherit.

What the Senator had to say concerns us all, and it is this: that mankind, with his command of technology, now has the power to effect irreversible change on the environment; change that, no matter how much he may wish it, man has no power to overturn.

In Denver, a 2-mile-deep well, originally drilled to dispose of pesticide wastes, is now suspected of causing man-made earthquakes. They cannot be stopped.

In Lake Erie, a half-century of abuse has raised the specter of what a somber Department of Interior report calls a "biological cataclysm" that could rapidly exhaust the free oxygen in the lake.

As Senator MONDALE says, we are indeed, "a nation bedazzled by technology and addicted to crash solutions. But this kind of mentality will no longer serve us, if we are to build an environment worthy of man in this place, in this age."

I ask unanimous consent for inclusion of the Senator's remarks in the RECORD.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

ENVIRONMENT AND THE FUTURE

(Address by Senator WALTER F. MONDALE at Winona State College commencement, Friday, June 13, 1969, Winona, Minn.)

Americans have always had a curious love-hate relationship with their environment. Unlike the original inhabitants of the continent, the American Indians—who were bound to their land in a marriage of love—the white settler viewed the charms of a virgin continent with lust in his eyes and rape in his heart.

Thus, while the pioneer might have admired the purple mountain's majesty, his first thought was to gouge as many minerals out of her as rapidly as possible. A forest was something to be cut down; a river a convenient dumping ground; a buffalo herd an early exercise in genocide. And, once the forests where he lived were gone; the rivers unfit to drink; the buffalo reduced to bleached bones, there were always plenty more where they came from, out in the West. Now the frontier is gone, but the frame of mind it induced in a people is with us to this day.

Senate

What the Indians' religion and mores instilled in him as an article of faith we are only now beginning to dimly perceive—that we are not outside our environment, much less the master of it. We are in fact inseparable from it, and each action of man upon the physical world produces an equal—and sometimes opposite—reaction upon man himself.

The reaction is sometimes immediately visible, and dramatic, such as when a man-made chemical wipes out all life in a river. Other reactions are more subtle, more profound.

Your generation and mine are the inheritors of both the physical issue of this early violence practiced on the land and, more important, of the frame of mind that produced it—for it endures even in the 20th century.

Thus, physically, because of an attitude that, as one critic put it: "looks upon one-half the continent as a mine to be stripped of resources as rapidly as possible—and the other half as a dump to get rid of the wastes"—we find that—

We pour some 130 million tons of carbon monoxide, sulphur and other dangerous pollutants into the air each year, and that every metropolitan airshed in the country is polluted, to one degree or another;

We find many major rivers, and one of the Great Lakes, are for all practical purposes denuded of the free oxygen needed to support marine life;

We find the earth's biosphere—that thin, fragile envelope of air, water and land that sustains all life—we find it laden with 500 million pounds of DDT, a persistent and nearly immortal pesticide.

And we find our daily lives increasingly dominated by the works of man; the outdoor heritage that is a part of our very makeup we find increasingly crowded, less wild and more like the artificial environment we have created.

These conditions we can see with our own eyes. They are reported daily in the media and discussed in the halls of Congress and in every forum across the nation.

They are different in degree, but not in kind, from the careless stewardship of resources that our ancestors practiced. But now, because of his mastery of the physical sciences, and because of the heedlessness of his problem-solving techniques, man is able to induce changes in his environment of quite a different order, changes that may occur with terrifying suddenness and be, in fact, irreversible.

For instance—

At the Rocky Mountain arsenal in Denver, where the pesticide residues once stored above ground in settling ponds threatened domestic water supplies and wildlife, a two-mile deep well was drilled to place these dangerous liquids below the water tables used for drinking and irrigation.

This "solved" one environmental and economic problem—disposing of a poisonous man-made substance—but it may well have

created a worse one. For, one month after the Army began to pour millions of gallons of waste down this hole, Denver was shaken by its first earthquake of the century, and has since been shaken by scores more, none, so far, heavy enough to cause loss of life or property damage on a vast scale.

Scientific opinion, consulted after the well was drilled, is divided. Some geologists see no relationship between the original quake, whose epicenter was in the Arsenal region; others believe that some several hundred—million gallons of poison water pumped down the hole has lubricated a fault under the city, allowing slippage and quakes.

Whatever the scientific merit of both arguments, it is impossible to pump the water out.

Lately the arsenal has been in the news again, for it was from here that enough nerve gas to wipe out several billion people was to depart by rail for the Atlantic Coast, where it was to be put aboard freighters, hauled out to sea, and dumped. An outraged public has temporarily halted this; the nerve gas, at last report, now resides in the open under one of the flight paths for a commercial airport.

At that, the nerve gas would be but one of some half a million substances presently dumped in the ocean. These include pesticides, radioisotopes and chemicals, only a fraction of which have ever been tested for their long-term effect on man and the ecology that supports him.

Here again, man responds recklessly, with little to guide him. Some 70 percent of the earth's photosynthetic oxygen is produced by micro-organisms suspended in the oceans' surface water. What these chemicals' effect on these organisms is, no one precisely knows. What would happen to marine life, if a tanker loaded with herbicides for use against foliage in Vietnam crashed upon the ocean rocks, such as the Torrey Canyon did with its cargo of oil—no one knows.

Another example:

Man has lived on the shores of Lake Erie for millennia, with no noticeable effect on the Lake itself. But over the past 50 years, with the use of the Lake as a dumping ground for solid and liquid wastes, man has managed to artificially "age" the lake by an estimated 15,000 years; in other words, the lake is 15,000 years nearer "death"—a process that happens to all lakes sooner or later than if he made wise use of this resource.

And now, according to Department of Interior scientists, who are not given to rash statements, "It is possible that . . . Lake Erie may face a sudden biological cataclysm that will exhaust, for a time, most of the oxygen in the greater part of the lake . . . (this) could come with explosive suddenness."

The lake has come to its present state because pollution has grown geometrically, while knowledge of its effects has grown only arithmetically. For 50 years now man has been adding great quantities of phosphorous to the lake. Phosphorous stimulates the growth of algae, which blooms in great quantities during the spring and fall. The algae dies fast and sinks to the bottom of the lake, fouling it with organic matter.

Meantime, even more phosphorous—which most sewage treatment plants being built today do not remove—is poured on top of the dead algae on the lake bottom. Now, there is grave danger that the process is self-generating and that the "biological cataclysm" of oxygen exhaustion could take place with terrifying swiftness.

And so, near the Continental Divide in Colorado; in the sea around us; in the Great Lakes; man is tinkering with profound forces which may well prove to be beyond his ability to counter, once set in motion.

The same forces that have brought Erie near death are at work on Lake Superior, greatest of the Great Lakes, and the world's largest body of still relatively unpolluted water. Because the lake is big, and because population is less concentrated on its shores, we still have time to save it, if we act promptly.

But doing so will take more than just money. It will take a conscious decision by private industry, government and the citizens of Minnesota to cease using the Lake as a dumping ground and sewer, and to begin looking upon it as the unique, priceless natural resource that it really is. Whether or not this will be done in time remains to be seen.

The truth of the matter is, our ability to pollute our environment has outrun our knowledge of pollution's effects and how to stop it.

I was shocked to learn, when I first came to the Senate some years ago, of the primitive state of research in lake pollution. It is no exaggeration to say that we now know more about the composition of the lunar surface than we do about what causes a lake to die—and how to prevent it.

For three years now, I have had legislation before the Congress to fund at least a beginning in lake research. Last year the measure passed both houses, only to die because of differences in the two bills. This year the bill is contained in the omnibus water pollution control act, and I am hopeful of passage.

Once the legislation is passed the really hard work will begin; the fight to obtain adequate funding. And herein lies much of our present problem with pollution control.

Although we are ready, willing and able to fuel the engines of war—last year at 97 percent of the amount the Pentagon requested—the Nation is far less willing to spend the money to clean its own nest.

Over the past five fiscal years—

We provided less than half the amount requested at the federal level for grants to build sewage treatment plants;

We provided just over 60 percent of the amount requested for air pollution control;

And we provided less than a third of the amount requested for water and sewer grants.

Although federal spending for all natural resources purposes—pollution control, parks, recreation areas—has been climbing gradually we are actually spending a smaller percentage of the total federal budget now, in fiscal 1970, than we did five years ago.

The result is, as far as the environment is concerned, we are just barely managing to hold our own, if that.

We often talk about a pollution problem, or a park problem, or an air problem. But what we have in this country, really, is a war problem.

This year the federal government will spend just over 300 million dollars to help build sewage plants and to control air pollution. I have not been around Washington so long that I look upon this amount as a pittance, but compared to defense spending, that's just what it is.

Three hundred million dollars would run the Vietnam war for 4 days and 8 hours. It represents less than one percent of what we will spend this year on wars, past, present and future.

We are willing to pick up the tab—\$50 million a few weeks ago—for a submarine that sank immediately upon launching.

We were willing to pick up \$23 billion, according to Senator Symington, for 43 separate missile systems once deemed vital to the national security that were abandoned prior to deployment or rapidly became obsolete.

But we are not willing to pick up the tab to clean our rivers, our lakes, our air. And it is not only government that is at fault:

Private business each year spends billions of dollars—as they should—to advertise their products. They spend hundreds of million more in research to bring forth new products. But, with very few exceptions, they are very unwilling to spend money to find out how to dispose of the products once they're discarded, or to clean up the wastes produced by their manufacture.

I really cannot believe that a nation which next month will land men on the moon cannot devise an auto exhaust control system that will clean up the air. I cannot really believe that a nation that each year produces 5 million cars cannot devise a means of disposing of their corpses, once they're worn out.

I am convinced that we will never build a liveable environment in this nation—to say nothing of building a decent society, with

decent housing and no hungry children—until we re-order our priorities.

I believe this very deeply, and I do not believe this makes me either a neo-isolationist or a pacifist. I believe arms are necessary for survival in the age in which we live. But I am no longer prepared to hand the military a blank check each year.

We are a nation bedazzled by technology and addicted to crash solutions. We are a pragmatic people, one whose first response, in facing any dilemma, is to look for an instant answer.

But this kind of mentality will no longer serve us, if we are to build an environment worthy of a man in this place, in this age.

This generation does not have the excuse of environmental ignorance that could perhaps justify the past excesses we have visited on the continent. We now know the effects of our actions. We can see, smell and touch the products of unwise resource management. They are all around us.

Until we act on this knowledge . . . until we somehow engineer into the very structure of government a system of determining the long-term effects of scientific change on the environment, we are, in a very real sense, playing Russian Roulette with our destiny.

There is this, and more:

We hear a great deal nowadays about alienation; about a feeling of powerlessness that afflicts the poor and middle class alike.

I wonder if part of the reason for this public unhappiness, isn't a belief, on the feeling, which Paul Goodwin called "the part of many of us, that somehow we have lost control over our own destiny.

A case in point:

The Mississippi flows past Winona here, and within the next few years, if present plans go through, radioactive wastes from a nuclear power plant upstream will be dumped in the river.

A million people in Twin Cities will be ingesting these materials with their drinking water.

Many of us fought this, both in Minnesota and Washington. We have not so far prevailed.

The public institutions charged with protecting the public interest in this and other matters are vast, unresponsive and remote. They contribute, in a very real sense, to the unease we feel, as individuals, over controlling our own destiny.

I am aware of all the legalisms that allowed this decision to be made; but that does not make it right. If a people do not have the right to influence a decision this basic, then they do not have much say in control of their own lives.

In the last speech he ever delivered, Adlai Stevenson summed up what I have attempted to say here today, in these words:

"We travel together, passengers on a little space ship, dependent on its vulnerable supplies of air and soil, preserved from annihilation only by the care, the work, and I will say the love, we give our fragile craft."



"The time when we could afford the luxury of such "eternal verities" as a fleet of 15 carriers has long since passed. I fear our children will observe in the future that our blind adherence to 15 attack carriers was as absurd as was our failure to recognize the demise of the horse cavalry."

--Senator Walter F. Mondale

Congressional Record

PROCEEDINGS AND DEBATES OF THE 91st CONGRESS, FIRST SESSION

WASHINGTON, THURSDAY, SEPTEMBER 4, 1969

Senate

THE ROLE OF THE AIRCRAFT CARRIER

Mr. EAGLETON. Mr. President, in an article published in the Sunday Minneapolis Tribune, the Senator from Minnesota (Mr. MONDALE) makes a cogent and often humorous case for examining the role of aircraft carriers in the context of modern military realities.

During the debate on the defense authorization bill, the justifications for many tried and true weapons systems have come under fire. "It's always been that way" is no longer good enough to justify the expenditures of hundreds of millions of dollars.

Certainly some justification can be found for the continuance of any weapons system or its improvement, but Congress must ask at what cost. Edward L. Katzenbach, Jr., points out in an interesting and amusing article on "The Horse Cavalry in the Twentieth Century: A Study in Policy Response":

However low and slow it flew, the plane would not be a substitute for a still lower and still slower man on a horse. And the plane could not penetrate forests and neither within limits, could tanks. So there was, and indeed there still is, a gap between what the horse can do and what the plane and the tank can do. But admitting the gap, there still remained *the most vexing problem of all, to wit whether that gap was worth filling and if so how.*

In our technological and highly changeable world, it is important to constantly reevaluate the premises of the past in terms of present realities.

The Senator from Minnesota (Mr. MONDALE) and the Senator from New Jersey (Mr. CASE) are asking important questions regarding the role of the aircraft carrier and the rationale for continuing to maintain 15.

I ask unanimous consent that Senator MONDALE's article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ATTACK CARRIER HAS HAD ITS DAY,
CLAIMS MONDALE

(By WALTER F. MONDALE)

In the first quarter of this century, there raged a great debate in military circles over the question of whether automatic fire and mechanization made the horse cavalry obsolete. Even though it was obvious to everyone but cavalymen that this institution had outlived its usefulness before World War I, it took another 30 years before the advocates of modern technology were able to put the cavalry to rest once and for all.

That the horse cavalry was able to survive the technological innovations of this century as long as it did may seem strange to many of us. But military history, as one commentator noted, "... is studded with institutions which have managed to dodge the challenge of the obvious." A clear example of this phenomenon from naval history is the battleship's durability in remaining at the center of naval planning. It was not until World War II that naval planners recognized what had long been obvious to most military observers: that modern airpower had ended the battleship's role as the keystone of the fleet.

The most recent example of the tenacity of military institutions can be found in the military authorization bill, now before the Senate. That bill contains the Navy's requested authorization for a new nuclear attack carrier, a request based upon an assumption which has gone unchallenged and generally unexamined since the end of World War II: that the U.S. Navy must maintain at least 15 attack carriers in its fleet.

This 15-carrier force level, according to one observer, "... appears to be close to an 'eternal verity' in U.S. military planning." Yet the number 15 does not arise from any current assessment of needs, costs, or capabilities. Rather, it is a legacy of the past. That the advocates of a 15-carrier force level, like earlier defenders of the battleship and the horse cavalry, are following a path of tradition rather than reason becomes increasingly clear, by examining the carrier's role in the context of modern military realities.

After World War II, the attack carrier (and indeed the entire Navy) became a force in search of a mission. There were no other surface fleets to engage, and the very existence of the Navy was threatened by new long-range aircraft capable of delivering nuclear payloads. The Navy responded by seeking justification for the attack carrier in strategic nuclear warfare.

With the advent of land- and sea-based missiles in the early 1960s, the carrier no longer had any role as part of our nuclear retaliation forces. Faced with the loss of its *strategic* retaliatory role, the Navy began to emphasize the carrier's potential *tactical* role in providing air support for ground troops, maintaining air superiority, and destroying supply lines.

The argument that 15 attack carriers are needed to provide sea-based tactical air power throughout the world is not a persuasive one. Where land-based air power is not immediately available or where political constraints limit the use of land bases, the carrier may well serve as a complement to our overseas bases. But where the carrier clearly *competes with*, rather than complements, land-based air power, the role of the carrier must be justified on the basis of its effectiveness and its efficiency.

Carrier task forces are assigned to the two major "trouble areas" of the world—nine in the Western Pacific and six in the Mediterranean. But it is quite clear that our capacity for land-based tactical air power is more than adequate in these areas, as well as in most other parts of the globe where peace or United States interests may be threatened.

The United States maintains some 138 squadrons of tactical fighters and bombers in active forces at home and abroad, including 23 wings and 3,350 aircraft.

Furthermore, our capacity for creating new land bases as needs arise is almost limitless. There are at least 1,000 overseas civilian air fields which the Air Force, within three days' time, can convert to a fully equipped tactical air base using the "pre-positioned kits" of the Bare Base support program.

More important than overlap alone, however, is the vastly greater cost of carrier-based air power. The enormous initial expense of a single aircraft carrier is multiplied by its complete dependence upon an accompanying task force for defense and for logistical support.

But a carrier task force, according to the Navy, cannot remain "on station" for more than four months out of 12 without great strain on the crew. For this reason, continual deployment of a nuclear carrier task force in one area actually requires three task forces in rotation, increasing the investment cost of one carrier base to the staggering figure of \$4.2 billion.

Needless to say, a land base is a far cheaper operation. A base in the Pacific can be built for \$53 million; the Bare Base support program can convert an existing civilian runway for about \$36 million.

The reliance upon carrier rather than land-based air power is made even more questionable by the high degree of vulnerability of the carrier in light of modern weaponry. Carriers are particularly vulnerable to attacks by submarines, aircraft, and ship-to-ship and air-to-ship missiles.

In response to these arguments about the efficacy of sea-based air power, the Navy points out that since 60 percent of the world is covered by water, the carrier can be used in many more places than land bases. The military historian will recognize the disturbing similarity between this argument and that advanced in 1922 by a major in the cavalry who, observing the absence of roads on much of the earth's surface, wrote: "To base our transportation needs solely upon conditions existent in the comparatively tiny portion of the earth's surface containing roads ... is putting too many eggs in the same basket."

The Navy also argues that despite widespread land-based power, carriers are needed to maintain a "balanced force." This claim also was made by the cavalry as late as 1940.

Recognizing the limitations on the usefulness of carriers, the Soviet Union has never built an attack carrier and has no plans to do so. And yet, as the U.S. Navy is quick to point out, the Soviets already have an impressive and well-balanced surface fleet. It is, therefore, particularly difficult to understand why the Soviets have no plans to build an attack carrier if it is such an essential and vital ship. It is clear that we could afford to reduce our carrier force level without any danger to national security.

But the Navy is moving in precisely the opposite direction. The carriers which have joined the fleet since the mid-1950's are almost double the size of the older carriers, are equipped with the most modern aircraft and, therefore, have far greater capability for tactical air than the oldest carriers which they replace.

There may be a limited role for attack carriers in modern warfare. They might be useful in providing a base for launching tactical air strikes in the initial stages of a conflict, where there are no available land bases.

Once land bases become operational, however, there seems to be little justification for the continued reliance upon the aircraft carrier.

In addition to the problems of efficiency and effectiveness, the use of the aircraft carrier has serious foreign-policy implications. For example, it is official naval doctrine that one of the main advantages of carrier air power is that it can be employed unilaterally, without involving third parties and without relying upon treaties, agreements or overflight rights.

The Senate has an obligation to debate whether it is in our national interest to maintain 15 carrier task forces "poised for unilateral action." Such a debate may be necessary to assure that foreign policy determines the need for military expenditures—rather than the other way around.

In recent congressional testimony, the chief of naval operations stated that "the carrier will be necessary in the future if the United States is to have the flexibility and the selectivity of operations in areas *without first having to make some political arrangement to do so.*"

In light of such testimony, it is important for Congress to be involved in determining those situations in which the United States should be prepared to intervene in conflicts unilaterally and "without first having to make some political arrangements to do so."

The time when we could afford the luxury of such "eternal verities" as a fleet of 15 carriers has long since passed. I fear our children will observe in the future that our blind adherence to 15 attack carriers was as absurd as was our failure to recognize the demise of the horse cavalry.

United States Senate

WASHINGTON, D.C. 20510

October 28, 1969

Dear Mr. Mayor:

The President has recently proposed that the Federal Government begin sharing a small part of its revenues with the States, beginning in 1971. Under the plan, local governments would be guaranteed a minimum portion of these sums.

The legislation has not yet been enacted and may well differ, in important respects, from the Administration's proposal. In fact, for reasons noted in the enclosed materials, I strongly believe that certain changes are needed. Nevertheless, I thought you would want to know how much your community might expect if the proposal were enacted.

I am enclosing a copy of a statement which I intend to make in the Senate tomorrow. It explains how the Administration's proposal would work and discusses the alternatives which I think the Congress will consider. Also enclosed is a set of tables showing the estimated shares of 123 Minnesota cities and counties.

Unfortunately, data were not available on taxes raised by your community. However, you can readily estimate your own share for 1971. First, determine what percentage your local 1967 taxes were of the \$444,196,000 total for Minnesota's local governments. (Do not include revenues of any special taxing districts, such as school districts.) Then multiply that percentage times \$5,984,000 which is the estimated local share in Minnesota for 1971.

I am proud that Professor Walter Heller of the University of Minnesota, working with Dr. Joseph Pechman of the Brookings Institution, first proposed Federal revenue sharing. I have long favored such a system and I will do whatever I can to assure that a sound piece of legislation is enacted. I would welcome any comments or suggestions which you might offer.

With warmest regards.

Sincerely,

Walter F. Mondale

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[1969]

REMARKS ON REVENUE SHARING TO BE DELIVERED IN THE
SENATE ON OCTOBER 29 BY SENATOR WALTER F. MONDALE

Mr. President, there is a great deal of interest in revenue sharing. In presenting the Administration's proposed program, figures were supplied on the shares of the States. However, the local shares were not indicated.

I have prepared two tables showing what sums Minnesota cities and counties would receive under the revenue sharing program proposed by President Nixon.

I have long favored a system of Federal revenue sharing and I am glad that the President has adopted the principle. I do see a number of weaknesses and inadequacies in the specific proposal but I hope that alternative provisions will be considered under which the States and, particularly, the local governments would receive larger benefits.

I note that the proposal is geared to a percentage of taxable personal income so that the funds shared with the States will grow along with the economy. This is a basic principle of the revenue sharing plan first proposed by University of Minnesota Professor Walter Heller and Brookings Institution's Joseph Pechman. Such a source of revenue may be the only solution to the fiscal crisis of state and local governments. Their principal revenue sources -- sales and property taxes -- cannot keep pace with the greatly expanding needs for educational and other social expenditures.

A number of my constituents have asked how the program proposed by the President would work. I am, therefore, outlining its provisions here:

1. For the period from January 1 to June 30, 1971, the Federal Government would share with the states a sum equal to one third of 1% of all personal taxable income in the nation. At a yearly rate, this would amount to about \$1 billion, or \$500 million for the initial period of January to June 1971.

2. Each state would get a share roughly proportional to its percentage of the national population. The State share would, however, be adjusted by something called "revenue effort". This is a measure of the total amount of taxes raised by the state and all its subdivisions in relation to the per capita income in the state. A state which had relatively high taxes, compared to the income of its citizens, would get more credit in the revenue sharing formula.

3. The plan requires that a minimum amount of the state's share be passed on to county and city governments. Each local government's share would be in direct proportion to the amount of taxes it raised as a percentage of the taxes raised by all units of general local government in the state. In computing this share, however, the plan would not give

the local governments any credit for revenues levied by school districts or other special taxing districts. Thus, while the State would get full credit for such special taxes, the local governments would not.

Minnesota's share for the first half of 1971, based on the most recent population and tax figures available, would be about 2.15% of the \$500 million national total, or \$10,776,000. If Minnesota got a share based entirely on population, it would get only 1.8%. Thus, Minnesota would do a little better than some other states because it makes a more significant "revenue effort."

The "local tax base" (that is, the amount of general local taxes) which would determine the share of Minnesota's funds to be "passed through" to local governments is \$444,196,000. This is 27.77% of the total Minnesota taxes of \$1,599,758,000. Thus, the total amount to be passed through to local governments in Minnesota would be 27.77% of \$10,776,000 or \$2,992,000.

The national average for the sum to be "passed through" to local governments is about 31%. Local governments in Minnesota would get less than the average because Minnesota has a higher than normal proportion of taxes levied by special districts, especially school districts.

Each city and county would get a share of the "pass through" in direct proportion to its "tax base" as a percentage of the overall tax base. In the tables I have prepared, the local tax base for selected cities and counties is shown. The local shares shown for these cities and counties are determined as a proportionate distribution of the \$2.9 million local "pass through". To assist my State's cities and counties in relating the new program to annual local budgets, the tables are based on doubling the six months' figures to get an approximation of the effect for the entire 1971 calendar year.

For example, Duluth has a "tax base" of \$7,568,000. This is 1.7% of the total local tax base of \$444,196,000. Therefore, Duluth would get 1.7% of the \$2,992,000 "pass through" in Minnesota, or \$51,000 for six months. The table shows \$102,000 for Duluth as an estimate for the first twelve months.

Mr. President, the \$5,900, which would be the share of Lake of the Woods County, and the \$8,800, which would be Brainerd's share, illustrate how modest the President's proposal is in its first year of operation. In fact, the estimated distribution of approximately \$21.5 million to Minnesota in 1971 amounts to only about \$6.00 per capita. This underscores the need to start the program off at a higher level of Federal sharing.

Furthermore, the proposal to share with Minnesota almost \$11 million of Federal funds has to be considered in relation to cutbacks in various Federal programs which will affect Minnesota adversely. For example, based on present information, Minnesota stands to lose more in Federal grants this year than it would gain under the revenue sharing proposal for fiscal year 1971.

I think a number of other issues are raised by the proposal:

1. Not only does the program start off too low, but it takes five years to reach the initial goal of \$5 billion. I do not think this is high enough. By 1976, State and local revenues will have grown to approximately \$200 billion. Thus, the amount to be shared with the states under the Administration's proposal would approximate only 2 1/2% of their local revenues. This would hardly be enough to make a significant contribution to relieving the tax pressures on state and local governments.

2. It does not seem fair to give the States credit for such special revenues as school taxes, but not to include those taxes in calculating the local shares. The biggest problem is finding increased revenue sources for local government.

3. The proposal provides no incentive for a state to modernize and diversify its tax sources. While it recognizes the amount of revenue effort, it gives no special credit to states, like Minnesota, which have adopted progressive income taxes. Such taxes are needed to relieve the pressures on the outmoded real estate and sales taxes which are such a significant part of state and local financing.

4. The idea of giving Federal funds to States with "no strings" attached has much appeal. However, we must assure that Federal tax receipts are not used by States in ways which deny equal benefits and treatment to any members of minority groups.

I am sure that the Congress will carefully consider these issues, together with alternative formulas, in reviewing the Administration's proposal.

Mr. President, I ask unanimous consent that two tables, showing the sums which Minnesota cities and counties would receive under the proposed revenue sharing program, be printed in the Record.



MINNESOTA HISTORICAL SOCIETY

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