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PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, SECOND SESSION

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Senate

SATELLITE TRANSMITTAL OF "VILLA ALEGRE"

Mr. MONDALE. Mr. President, this week thousands of children of diverse cultural backgrounds in isolated rural areas of this country will view a television program that is educationally sound, culturally enriching, and humanistically positive. Because public television signals cannot reach many of our rural areas, this seemingly ordinary occurrence required a major breakthrough in the use of advanced telecommunications techniques.

On May 30, an ATS–6 satellite was launched by NASA from Cape Kennedy and positioned on the equator in a stationary orbit. From its orbit 22,300 miles above the Galapagos Islands, the satellite can transmit educational programs between a Denver Earth station and a number of rural sites that would otherwise be isolated from public television transmission.

With funding under the Emergency School Assistance Act, Bilingual Children's Television produced "Villa Alegre"—an educational program coupling vigorous research and advanced educational techniques with the most sophisticated audio and visual innovations of the television media.

This educational television program represents a celebration of this country's multiculturalism. It is a program for all children, using a bilingual—Spanish and English—approach to presenting our country's many cultural strengths.

The individuals and organizations who have collaborated to create "Villa Alegre" and to permit its satellite transmission deserve our thanks and our congratulations. I ask unanimous consent that a copy of the announcement of this transmittal be printed in the RECORD.

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

"VILLA ALEGRE" TO BE RETRANSMITTED TO EIGHT STATES VIA NEW SATELLITE

DENVER, July 26.—A satellite 22,300 miles above the Galapagos Islands will begin retransmitting bilingual educational television programming to the western United States next Monday. The program, a Bilingual Children's Television (BC/TV) production called "Villa Alegre," will be transmitted from an earth station at Denver and relayed by satellite to 56 receiver sites in eight of the Rocky Mountain States.

The receivers are in schools in isolated rural areas. Twelve additional receivers, to become operational this fall, are located in Public Broadcasting Service (PBS) stations in the region. Monday's effort is designed to demonstrate the feasibility of a satellite-based media distribution system for isolated rural populations.

The satellite project is designed and managed by the Federation of Rocky Mountain States. Project director is Dr. Gordon Law of Denver. Participating states are Idaho, Montana, Wyoming, Utah, Colorado, New Mexico, Nevada and Arizona. Funding is primarily through the National Institute of Education of the U.S. Department of Health, Education and Welfare.

(The Rocky Mountain states have a unique communications problem, explained Dr. Luis Bransford, the director of utilization for the satellite program: the area contains 35 percent of the land in the United States but only 4 percent of the population. Most of the population the area does have is concentrated around several major cities. Reaching the rural areas has proved financially infeasible and technically difficult for the public television stations," Dr. Bransford said, and this has left isolated portions of the state at an educational disadvantage. The satellite program is seen as a way of overcoming this disadvantage.)

Daily school program transmission will begin Sept. 9. Educational material will then be broadcast via the satellite to all the school receivers and the PBS stations.

Six of "Villa Alegre's" half-hour segments will be transmitted during the demonstration. This bilingual (Spanish and English) and bicultural educational television program will be aired nationwide by conventional means on PBS stations this fall.

Dr. René Cárdenas, director of BC/TV, said he sees the airing of "Villa Alegre" by the satellite as a national breakthrough in the utilization of space technology to disseminate educational programs to those areas lacking PBS facilities. "The implications for international dissemination of educational programming and technological information to developing countries are monumental," he said.

"Our staff is delighted by the fact that the first satellite transmission of an educational program in the world utilized concepts developed by BC/TV," Cárdenas noted.

The satellite, an ATS–6 (Applications Technology Satellite "6") was launched by NASA from Cape Kennedy, May 30. It is positioned on the equator in a synchronous, or stationary, orbit. It can provide two-way audio and visual communication between the Denver earth station and 24 of the rural schools, designated Intensive Sites. The other 44 locations are receiver sites only.

When fully operational the system will represent, according to Dr. Bransford, the first widespread use of a satellite-based telecommunication system in a direct educational application.

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PROCEEDINGS AND DEBATES OF THE 93^{d} CONGRESS, SECOND SESSION

Vol. 120 WASHINGTON, TUESDAY, AUGUST 13, 1974 *No. 123*

Senate

By Mr. MONDALE:

S. 3901. A bill to amend the Federal Reserve Act to permit the Federal Reserve Board to allocate credit to national priority needs. Referred to the Committee on Banking, Housing, and Urban Affairs.

FEDERAL RESERVE BOARD SHOULD ALLOCATE MORE CREDIT TO HIGH PRIORITY NEEDS

Mr. MONDALE. Mr. President, the bill I am introducing today, S. 3901, authorizes the Federal Reserve Board to give incentives to banks to grant more credit to high priority needs such as housing, small business, farming, State, and local governments, and productive capital investment, and less to lower priority, speculative, and inflationary investments.

It is modeled after legislation introduced in the House by Congressman HENRY S. REUSS, who has shown great imagination and leadership on this and other economic issues.

The Federal Reserve Board's present across-the-board tight money squeeze has driven interest rates to their highest levels since the Civil War and imposed severe strain and hardship on many parts of the economy. Yet a great deal of business borrowing and spending continues undeterred, and inflation remains at an intolerable level.

It is clear that we have gone beyond the limits of what an across-the-board tight money policy can do. The present meat-ax approach is both unworkable and unfair.

Big business borrowers are getting all the credit they ask, whether they plan to use it for inflation-fighting investment in new productive capacity, or inflation-fueling investment in speculatve overbuying of inventory, real estate, and foreign currency speculation, or conglomerate takeovers. At the same time, the housing industry, small businessmen, and farmers, State and local governments, and others are being driven to the wall because credit is unavailable, too costly, or both.

The Federal Reserve Board needs a more selective weapon in its anti-inflation arsenal: The credit allocation legislation I am introducing will give it to them.

S. 3901 would authorize the Federal Reserve Board to require each member bank to hold additional reserves against nonpriority loans and investments, and grant a credit against these additional reserves for national priority loans and investments. The result of this combination of additional reserves and credits would be to increase bank earnings from national priority loans and investments, and reduce earnings on nonpriority loans an investments.

S. 3901 establishes the following as national priority loans and investments:

First. Useful capital investments, particularly if capacity-adding, energy-conserving, environment-enhancing, or productivity-increasing;

Second. Low- or middle-income housing;

Third. State or local government facilities; and

Fourth. Small businesses and farms.

In addition, the Board is permitted to establish other priority areas as the investment needs of the Nation change, provided it informs Congress at least 60 days in advance so that Congress may disapprove by concurrent resolution if it wishes.

The idea of providing banks with incentives for more selective credit allocation has been endorsed by a number of businessmen, bankers, economists, and editorial writers, and by Federal Reserve Board Governor Andrew F. Brimmer. The central banks of many foreign countries use differential reserve requirements to channel credit to specific areas, and during the Korean war the Fed operated a highly successful voluntary program of selective credit restraint. There is ample support and precedent for this legislation, and I hope the Congress can move quickly on it.

Mr. President, I ask that the text of S. 3901 be printed in the RECORD at this point, along with the remarks made by Congressman REUSS in the House on June 28, when he introduced his bill, a letter from Fed Governor Andrew Brimmer endorsing the bill, and an editorial from the August 12 New York Times urging action on it.

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

S. 3901

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SECTION 1. This Act may be cited as the "Credit Allocation Incentive Act of 1974".

SEC. 2. (a) Section 19 of the Federal Reserve Act is amended by adding at the end thereof the following new subsection:

"(k)(1) For purposes of this subsection, the term 'National Priority Loans and Investments' means any loan or investment which the Board determines is used for, or made to, any of the following:

"(A) useful capital investments, particularly if capacity-adding, energy-conserving, environment-enhancing, or productivity-increasing,

"(B) low- or middle-income housing,

"(C) State or local government facilities,

"(D) small businesses and farms, or

"(E) any other category or loan or investment which the Board determines to be a 'National Priority Loan and Investment'.

"(2) National Priority Loans and Investments in a category established under paragraph (1)(E) shall be made only if—

"(A) the Board notifies both Houses of Congress on the same day of a proposed category it desires to establish under such paragraph (1)(E), and

"(B) both Houses of Congress do not adopt resolutions disapproving establishment of such category within a sixty-day period of continuous session of Congress which commences on the date the Board notifies both Houses of Congress under subparagraph (A). For purposes of this paragraph—

"(i) continuity of session is broken only by an adjournment of Congress sine die, and

"(ii) the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the sixty-day period.

"(3) (A) In addition to any reserve requirement under subsection (b), the Board may require each member bank to maintain a supplemental reserve consisting of a percentage, determined by the Board, of its total loans and investments other than National Priority Loans and Investments minus a credit equal to a percentage, determined by the Board, of such bank's total National Priority Loans and Investemnts. The total credit of any bank may not exceed its supplemental reserve.

"(B) Under subparagraph (A) with respect to supplemental reserves and under subsection (b) with respect to reserves against deposits, the Board shall take and time its actions in order to promote efficiency and mitigate hardship.

"(C) In order to offset any undesirable money supply effects resulting from its actions under this subsection, the Board shall employ open market operations."

(b) Section 19(c) of the Federal Reserve Act is amended by inserting "or (k)" immediately after "subsection (b)".

A BILL TO PERMIT THE FEDERAL RESERVE TO ALLOCATE CREDIT TO NATIONAL PRIORITY NEEDS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. REUSS) is recognized for 30 minutes.

Mr. REUSS. Mr. Speaker, I introduce for appropriate reference H.R. 15709, a bill to amend the Federal Reserve Act to give the Board of Governors power to influence the allocation of bank credit.

By using these powers, the Board could induce banks to increase loans and investments in high-priority sectors of the economy, with offsetting decreases in the remaining sectors to avoid inflationary pressures.

Such a power to allocate credit, rather than simply to rely on meat-axe, undifferentiated, money-aggregate policy, is needed on a continuing basis. It is particularly needed at a time, like today, when the credit crunch is badly hurting interest-sensitive sectors like capital investment, housing and the thrift institutions, State and local governments, and small businesses, and is intensifying inflationary pressures in such sectors as inventories, supplies of scarce material, and real estate.

An intractable inflation has reached an annual rate of almost 13 percent during the first quarter of this year. Curbing this inflation is obviously going to require responsible monetary restraint. In fact, I have argued for quite some time that the Fed's restraint on monetary growth has not been tight enough.

But indiscriminate credit restraint, reckless of its side-effects, is surely irresponsible. The Fed must be given the means to allocate scarce credit so that more is available, at lower interest rates, for priority uses, and that accordingly less is available, at higher interest rates, for nonpriority uses.

We can see all about us today how meat-ax, undifferentiated, money-aggregate policy is starving priority sectors of the economy.

Take housing, for example. In 1966 and again in 1969, high, short-term interest rates resulting from tight money caused heavy outflows of funds from savings and loan associations and other thrift institutions. This led to precipitous drops in housing starts.

The experience of 1974 is no different. With prime commercial paper bringing more than 10 percent, and U.S. Treasury notes going for more than 8 percent, disintermediation caused savings and loan associations to suffer a net outflow of $335 million in deposits in April. Housing starts for this May, as reported by the Department of Commerce, were at an annual rate of 1.45 million units, off almost 40 percent from the 2.33 million rate of last May. Much of this drop occurred in low- and middle-income housing, where we can least afford it.

Small businesses have also suffered. Recently the maximum interest rate on SBA-guaranteed bank loans to small businesses has been as high as 11 percent, a rate few small businesses can afford. Small business failures have risen to 190 per week, compared to about 170 a year ago. The total debt of small businesses going bankrupt is up to $200 million per month, 50 percent over 1973.

New capital investment in plant and equipment, despite a vast variety of tax incentives, is likewise hampered by tight money. Less production capacity spells future inflationary increases. Further, with long-term borrowing rates at record highs, incentives to invest in pollution-control and environment-enhancing equipment diminish. The cost of this will surely be with us for years to come.

At the same time that high interest rates are chilling worthwhile activities, the meat-axe, undifferentiated, money aggregate policy sees credit wasted on non-priority objectives (like Bahamas gambling casinos); diverted into conglomerate takeovers that bid up the prices of existing assets—like Mobil Oil using $350 million that should be used for oil exploration to buy up Montgomery-Ward; or channeled into inflation inducing over-expenditures—such as inventories and supplies "that will cost more later on."

The time has come to make the Board of Governors of the Federal Reserve responsible for the allocation implications of monetary policy. With their 14-year terms and their independence, the Governors must not shrink from responsibility. We must develop a new set of tools which the Fed can combine with its control of monetary aggregates to allocate the supply of credit to priority areas.

A number of knowledgeable people have urged that the Fed act as credit-allocator as well as credit-creator.

Federal Reserve Governor Andrew Brimmer has repeatedly advocated allocative powers for the Fed since 1969. In testimony before the Senate Committee on Banking, Housing and Urban Affairs on April 7, 1971, Governor Brimmer urged implementation of supplemental asset reserves to avoid "unwanted and disproportionate effects of monetary restraint in particular sectors of the economy" and "to encourage banks to modify their . . . leading behavior to conform more to the objectives of monetary policy."

Federal Reserve Bank of Philadelphia President David P. Eastburn in the May 1974, Business Review envisaged the Fed's developing "market-oriented means to induce lenders to allocate their funds in particular directions for social purposes."

John R. Bunting, chairman of the First Pennsylvania Bank, in a May 19 speech reported in the Philadelphia Evening Bulletin "assailed the Federal Reserve's 'fixation solely on control of the size of the money supply' as a tool of dampening inflation." Instead, he said: "The monetary authorities should encourage banks to channel loans into industries whose products are in short supply and whose production is pushing close to capacity."

In an April 10 speech, Albert T. Sommers, senior vice president and chief economist of the conference board, asked "whether the Federal Reserve should not be equipped with additional powers affecting the direction of credit, and not simply the aggregate volume of credit supply."

And Business Week, in an editorial on June 1, called upon the Fed "to start thinking about a more selective approach to credit control. It could, for instance, call upon the member banks to give preference to temporary financing of new industrial capacity. Or it could ask for legislation to give it the power to establish a priority system for borrowers."

All agree that the meat-axe aggregate approach to monetary policy hopelessly misallocates credit.

Other countries successfully direct the allocation of credit through a variety of mechanisms. A December 1970 study by the Joint Economic Committee, "Activities by Various Central Banks to Promote Economic and Social Welfare Programs," lists numerous examples. The Bank of France uses direct credit controls to stimulate financing of agriculture. The central banks of Germany, India, Italy, and Mexico, as well as the Bank of France, provide direct loans to state and local governments or to public agencies. Central bank funds are lent directly to private companies in France, and are lent indirectly through private banks in Japan. Other instruments have also been widely used—special rediscounting privileges, special reserve requirements and credit ceilings, and approval over individual loans. Such far-reaching controls do not appear necessary in this country, at present, but the experience of foreign central banks with comprehensive controls is instructive.

Tax incentives and subsidies are often suggested as an alternative way of redirecting resources to priority uses. Nonpriority uses of the economy's resources, as for Bahama gambling casinos, can be discouraged by taxing them very heavily. Priority uses such as low income nursing could be expanded if the Federal Government were to pay part of the cost through a subsidy.

Taxes and subsidies, however, involve real problems. First, though most priority sectors of the economy have been given vast subsidies, periodic crises still appear with tight credit and high interest rates. Second, imposing high taxes on nonpriority uses of the economy's resources is a time-consuming and complex process; tax schemes are inflexible and are very difficult to change as the economy's needs change. Finally, increasing the subsidies going to priority sectors would further erode the tax base and open new loopholes. America's taxpayers don't need a more loophole-ridden tax code.

H.R. 15709 gives the Board of Governors of the Federal Reserve a new and powerful monetary tool for credit allocation purposes. By vigorously employing its new power, the Fed could significantly increase the share of the Nation's bank credit going to priority sectors of the economy, and by the same token reduce the amount going to nonpriority uses.

H.R. 15709 establishes a new category of national priority loans and investments. This provision specifically gives priority in loans and investments to four important sectors of the economy: *First*, new capital investments that increase productive capacity, lower costs, control pollution, or conserve energy; *second*, low- and middle-income housing; *third*, State and local government investments; and *fourth*, small businesses. The Fed may also establish other priority areas as the investment needs of the Nation change provided that it informs Congress at least 60 days in advance so that Congress may disapprove by concurrent resolutions if it wishes. This mirrors the present power of Congress to disapprove changes in the organization of the executive branch, under the Reorganization Act of 1949.

To redirect the allocation of bank credit to national priority needs, H.R. 15709 establishes a new category of supplemental reserves and credits against bank assets. First, the Board of Governors may require each member bank to hold supplemental reserves against nonpriority loans and investments, in addition to the required reserves currently held against deposits. Second, the Board would allow each bank to credit against its supplemental reserve a percentage of its national priority loans and investments. The combined effect of supplemental reserves and credits is to increase bank earnings from national priority loans and investments and to reduce earnings on nonprority loans and investments. This gives banks a powerful incentive to make more national priority loans and investments.

To see how H.R. 15709 would end the undiscriminating credit effects of aggregate monetary policies, consider the following illustration.

Based on data published in the latest Federal Reserve Bulletin, member banks in the Federal Reserve System currently hold about $600 million in loans and investments. It is difficult to determine from these figures the exact uses to which these loans and investments are put, but the most generous criteria would classify about one-third, or $200 million, as national priority uses, such as residential mortgages, State and local government securities, and some commercial and industrial loans. The remaining $400 million is classified as nonpriority uses, such as nonresidential real estate, inventories, brokerage loans, and loans to finance companies.

Supplemental reserve requirements on the nonpriority assets, combined with credits for national priority assets, could induce banks to improve this allocation of credit. Assume the Fed requires each member bank to hold as little as 2 percent of its nonpriority loans and investments in a supplemental reserve, against which it allows a 3-percent credit for national priority loans and investments. The supplemental reserve would be $8 billion—2 percent of $400 billion of nonpriority assets—and the credit would be $6 billion—3 percent of $200 billion of national priority assets. With their current portfolios, banks overall would have to keep $2 billion in their supplemental reserves. Although this is not very large in comparison with the $35 billion reserve they currently keep on demand and time deposits, it still represents significant foregone earnings—about $200 million at current interest rates.

Banks could reduce their supplemental reserve requirements by devoting more of their loans and investments to national priority needs. For every $10 billion shifted from nonpriority uses to national priority uses, banks would free up to $500 million, since their supplemental reserve requirement would fall by $200 million—2 percent of the $10 billion reduction in nonpriority loans and investment—while their credits would rise by $300 million—3 percent of the added $10 billion in national priority uses. A shift of $40 billion more into national priority uses from the current figures to $240 billion in national priority assets and $360 billion in nonpriority assets—would eliminate the $2 billion supplemental reserve in the illustration altogether. The potential of this for shifting credit into national priority uses, even with low reserve requirements, is thus substantial.

The supplemental reserve requirement for individual banks would vary according to the proportion of assets devoted to national priority uses. The average bank with one-third of its assets in national priority areas would, in the above example, have to keep only one-third of 1 percent of its total assets in the supplemental reserve. A bank with more than 40 percent of its loans and investments in national priority areas would escape the reserve requirement.

The Fed should choose the combination of supplemental reserve requirements and credits necessary to channel the proper amount of credit to national priority uses. It can make the incentive to invest in national priority areas more powerful by raising the reserve requirement and reducing earnings on nonpriority assets, and by increasing the credit and raising earnings on national priority assets. It should be possible, however, to use fairly low reserve requirements, as in the illustration, to attain the goals of this bill without unduly burdening the Nation's banks.

The Fed should pay close attention to the effect which supplemental reserves might have on bank liquidity. If adding supplemental reserves to existing required reserves on deposits squeezes bank liquidity, the Fed should by all means reduce existing reserve requirements, or engage in open market operations to offset the squeeze. Furthermore, to minimize potential hardships on individual banks, the Fed should introduce supplemental reserve requirements gradually and give adequate leadtime before promulgating changes. After all, the purpose of this bill is to end the meat-ax effects of money aggregate policies, not to crunch down on banks.

The Fed has a long and promising history of adapting its monetary tools to the changing needs of the American economy. At an aggregate level, reserve requirements have often been changed to alter the liquidity positions of banks and to expand or contract the money supply. But, as Governor Brimmer points out, the Federal Reserve has "been moving more and more into the use of reserve requirements to achieve certain specialized purposes with respect to monetary policy." For example, in 1969 the Fed imposed supplemental reserve requirements on Eurodollar borrowings by domestic banks, in order to inhibit monetary growth from this source. In July 1966 and again in July 1973, the Fed increased reserve requirements on time deposits, other than savings accounts, to as high as 11 percent on July 4, 1973, in order to inhibit the flow of funds from savings and loan associations to bank certificates of deposit. Supplemental reserves and credits on assets would be in line with this tradition.

Although H.R. 15709 would materially improve the Nation's ability to allocate credit, it admittedly is not a complete panacea.

First, it does not give the Board of Governors powers of allocation over the lending and investments of nonmember commercial banks. Legislation pending before Congress to give the Fed power over the reserve requirements of most nonmember banks would readily remedy this.

Second, H.R. 15709 does not give the Board allocative power over nonbank financial institutions, such as savings and loan associations, credit unions, or pension funds. At the moment, however, it does not seem necessary to give this power to the Board. Nonbank financial institutions are restricted, either by law or the nature of their liabilities, as to the kinds of loans and investments they carry in their portfolios, thus limiting their ability to counteract Fed policies. Further, some of these institutions, such as savings and loan association and mutual savings banks, already invest heavily in national priority areas.

Finally, H.R. 15709 contains no controls over the uses to which corporations put their internally generated funds, amounting to more than $150 billion in 1973. It is possible that large corporations could obtain resources for nonpriority uses from their internal funds or going into other credit markets, such as commercial paper or Eurodollars. There is certainly the risk that this and other escape hatches could impair the Fed's ability to direct more credit to national priority areas.

If experience shows that Fed control should go beyond commercial banks, further legislation could be enacted extending reserve requirements and credits against assets to other financial institutions. Congress could also consider establishing in the Fed mandatory credit allocation powers. Making the Fed a credit allocation agency would not be unprecedented. In fact, during the Korean war, the Fed undertook an extremely successful voluntary credit restraint program under the Defense Production Act of 1950—to "curtail the use of credit for speculative purposes and to divert funds from nonessential to essential uses." Directed by a committee of Fed Governors and business leaders, the success of the program is attested to by a massive shift in credit from retail trade, commodity dealers, and finance companies to defense production and investment by utilities during 1951. The end of the Korean war brought an end to the program, but there is no reason why we should not resurrect it if needed.

While the purpose of H.R. 15709 is to improve credit allocation, it will also affect the ability of the Fed to control monetary aggregates. Supplemental reserves and credits on assets will be a new variable in Fed calculations. They introduce a new uncertainty, since banks would be able to change their average reserve requirements by changing their asset portfolios.

The new reserve requirements, however, should not impose insurmountable problems for Fed monetary policy. Day-to-day control of monetary aggregates, which would be most vulnerable to reserve uncertainty, is not as important as is longterm control, where adaptation to new variables is easier. Secondly, the relationship between movements in monetary aggregates and the performance of the economy is not so precise that this amendment would significantly alter it. Finally, with its current level of professional expertness, it should not take the Board of Governors or its staff very long to incorporate supplemental reserve requirements and credits into their money supply calculus. The benefits of assuring that credit is available for national priority needs far outweigh any possible difficulties in short-run control of money supply.

In light of the damage done by meat-ax aggregate money policies to national priority sectors of the economy, like business investment in plant and equipment, low- and middle-income housing, and State and local governments, a new approach to credit allocation is needed. H.R. 15709 fills this need by transforming the Federal Reserve into a credit-allocating, as well as a credit-creating, institution.

The importance and complexity of this issue requires that a full discussion and exchange of ideas about it take place. I hope that H.R. 15709 will lead to this much-needed discussion.

BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,
Washington, D.C., August 5, 1974.

Hon. HENRY S. REUSS,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN REUSS: I am responding to your letter of July 10, 1974. You asked me (along with other Board Members) to comment on the legislation which you have introduced designed to empower the Federal Reserve Board to influence explicitly the sectoral distribution of bank credit. In a letter of July 29, 1974, Chairman Burns responded on behalf of the other Board Members. It was indicated that I would respond separately since I did not share the position adopted by the majority of the Board.

First of all, I wish to applaud your effort to provide the Federal Reserve with additional instruments which would enable the Board to cope more effectively with the distortion in the sectoral distribution of bank credit which typically occurs during periods of monetary restraint. I have also been troubled by the same range of difficulties which have concerned you. In fact, as long ago as April, 1970, I suggested that the Board be given authority, to establish supplemental reserve requirements on bank assets. Such supplemental reserves would have been set on a differential basis—thus allowing the Board to encourage banks to channel funds into areas of high national priority and to discourage bank credit lending in areas of lesser importance. In the Spring of 1971, the Subcommittee on Financial Institutions of the Committee on Banking, Housing, and Urban Affairs of the U.S. Senate held hearings on a bill containing many of the features of the proposal which I advanced. At that time, the majority of the Board also objected to being granted such authority. In appearing before the Subcommittee, I favored the idea; I still favor a similar attack on the problem.

Your proposed legislation is superior to the earlier approach because it would provide for the establishment of a system of both supplementary reserves and credits. This provision would endow the Board with a great deal of flexibility, and it would also deal with some reservations raised with respect to the earlier proposal.

The general nature of the problem on which you focus is widely understood. As you know, in a number of papers, I have documented the adverse effects of monetary restraint on sectoral credit flows. One of these was presented at the Annual Meeting of the American Finance Association in December, 1972. Another was presented at the American Economic Association Annual Meeting last December. I have enclosed copies of these papers for your information.

In essence, during a period of substantial monetary restraint, the resulting higher costs and lesser availability of bank credit strike different sectors of the economy most unevenly. In general, banks show a strong preference for lending to long-standing business customers (particularly large corporations) while other potential borrowers receive a reduced share of the available funds. At the same time, there is typically a sharp shift in the flow of funds away from housing, State and local governments, small business, finance companies, and farmers. In contrast, business borrowers are affected to a much lesser extent—although the cost of funds to them does rise substantially.

Operating under your proposal, the Federal Reserve could provide a genuine incentive for banks to concentrate on socially desirable lending. It is true that, within the framework established by the bill, the Board would have a great deal of discretion to vary supplemental reserve requirements. However, no central bank credit would flow into particular sectors. Instead, by varying the structure of supplemental reserves or credits, the Board could induce banks to respond more explicitly to the high priority financing needs of the economy.

Over the last four years, during which I have been calling attention to the need for authority similar to that which you propose to give the Federal Reserve, I have encountered a number of reservations. These have been raised within the Federal Reserve System as well as by observers on the outside. Some of these were expressed by the majority of the Board in Chairman Burns' letter of July 29. I see no need to respond in detail to those reservations at this time. I would simply say that they do raise a number of issues on which you and your Committee ought to focus. For my part, while I recognize the basis of the reservations, I personally think that the benefits which would accrue from implementing the proposal outweigh the types of costs which others have identified. In a paper I gave in April, 1970, I did address myself to some of the (similar) objections which had been expressed at that time. Many of these reservations involve mainly technical issues. Consequently, the application of a reasonable amount of first-rate staff talent should result in their resolution. I also enclose a copy of that paper for your information.

In passing, I should note that the use of differential reserve requirements to influence sectoral credit flows is quite common among some foreign central banks. This is especially so among banks in developing countries. I summarized the experience of some of those foreign institutions in a paper which I delivered in Jamaica in 1970. I have also enclosed a copy of that paper.

Again, I applaud your efforts to have the Federal Reserve given additional instruments to deal more effectively with the adverse shifts in credit flows associated with monetary restraint.

Sincerely yours,

ANDY.

[From the New York Times, Aug. 12, 1974]

CREDIT RATIONING

One of the shortcomings in a tight money policy as the prime weapon against inflation is its extremely uneven impact on different sectors of the eoconmy. Some borrowers, the biggest or those who can pay the highest rates, can get all the credit they need, while other borrowers are cut off and threatened with financial disaster.

Obviously, it is impossible to run a generally restrictive monetary policy without hurting anybody; but the question raised anew by the present credit squeeze is whether the right borrowers and types of loans are being cut off.

A group of Democrats, led by Representative Henry Reuss of Wisconsin, is urging a more selective Federal Reserve policy—one that would insure a large flow of credit for four general purposes: productive capital investment that would increase the supply of goods, lower- and middle-income housing, state and local governments and small-business loans. At the same time, they would discourage the use of scarce credit to promote anti-competitive mergers or acquisitions, to boost inventories to get ahead of anticipated higher prices or to speculate in gold or other commodities.

A bill introduced by Mr. Reuss would require that commercial banks put up larger resreves against socially undesirable loans and receive credits when they made socially desirable loans.

The Federal Reserve Board, with one governor dissenting, has opposed the bill. Chairman Burns contends that it would be "inappropriate for the Fed to allocate credit according to its judgment of national priority needs"—because, in a democracy, these are matters for political decision. But, if it enacted the Reuss bill, Congress would in fact be giving the Fed political backing and broad policy guidance. The Federal Reserve, a creature of Congress, would be executing the policy of Congress. There is nothing unique historically in its doing so.

Dr. Burns also argues that the bill would cause "serious administrative problems" for the Fed and for member banks, including greatly increased requirements for information. But there are already heavy costs to the economy and society from the existing distorted pattern of credit allocation and the inadequate information on the uses of banking resources.

Within the same over-all pattern of credit restraint and average reserve requirements, selective allocation of credit should prove to be less inflationary—by encouraging more productive investment and by avoiding undue hardship on particular sectors through higher rates of growth in the money supply. The real choice is not between general and selective controls but between the accidentally selective impact of general tightening and a rationally selective policy within the same framework.

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Senate

S. 3512, UNEMPLOYMENT COMPENSATION AMENDMENTS OF 1974

Mr. MONDALE. Mr. President, on May 16, 1974, the distinguished Senator from Michigan (Mr. HART) and I introduced S. 3512, the Unemployment Compensation Amendments of 1974. The bill provides for basic and comprehensive reform of the Federal-State unemployment insurance system.

While we must act forcefully to implement economic policies and programs to eliminate the high level of unemployment which our Nation is currently experiencing, we must also help those who are the victims of the current unemployment.

Unemployment insurance is a Federal-State system, designed to provide temporary wage-loss compensation to workers as protection against the economic hazards of unemployment. Funds accumulated from taxes on wages during periods of employment permit payments of benefits to covered workers during periods of unemployment. At the same time as the unemployed worker is assisted financially while he is looking for work, the benefit payments help maintain purchasing power throughout the economy and cushion the shock of unemployment on the economy. In addition to helping the worker, the program is designed to help the entire economy by maintaining spendable income. By maintaining purchasing power, it acts as a stabilizing force in the economy, helping to prevent an economic downturn from gathering momentum and forcing further declines in consumer purchasing power. The benefits are countercyclical in effect and help to prevent unemployment from spreading and lasting a longer period.

Unfortunately, our present system under which benefits were first payable in 1939, does not meet the criteria for an adequate design. The system has not kept pace with the dynamics of our economy and the growth in wage level. Too many people are still excluded from coverage. Of those who are covered, too many exhaust their right to benefits before they are able to find employment. Even when they are receiving benefits, too many workers receive benefit amounts which are inadequate when compared with rising wages.

Our unemployment compensation system came into effect as a result of congressional action in 1935. Just as Congress had a responsibility to develop a program and see that it was enacted into law, so too it has a responsibility for seeing that the program is modified to insure that its basic objectives continue to be met.

Specifically, this legislation makes six changes in present law.

First, the bill enables a uniform, Federal standard providing for a maximum duration of unemployment compensation benefits of 39 weeks. The additional 13 weeks—weeks 27–39—which will be added to the 26 weeks now provided by most States, are financed through Federal-State cost sharing. The "trigger" for extended benefits is eliminated for weeks 27–39.

Second, the bill would enact Federal standards for eligibility for unemployment insurance benefits. A State may not require an employee to have in his base period for eligibility more than 20 weeks work for 39 weeks of unemployment insurance benefits.

Third, the bill embodies Federal standards for amounts of compensation the weekly benefit amount of any eligible individual for a week of total unemployment must be an amount equal to a 66⅔ percent of such individual's average weekly wage or an amount equal to the maximum weekly benefit payable under State law, whichever is lesser. The State maximum weekly benefit amount must be no less than 100 percent of the statewide average weekly wage.

Fourth, the bill extends coverage to new categories of workers. Coverage is extended to agricultural workers, domestics, and State and local government employees.

Fifth, the waiting period, a noncompensable period of unemployment in which the worker must have been otherwise eligible for benefits, may be no longer than 1 week. If an eligible individual has received compensation for 3 or more weeks in his benefit year, compensation will be retroactively paid to such individual for the waiting period.

Sixth, the bill establishes a Special Advisory Commission on Unemployment Compensation.

I am pleased and proud to announce today that S. 3512 has received the endorsement of the AFL–CIO, the UAW, and the Teamsters Union.

These three important elements of organized labor recognize the need for reform and that S. 3512 promises meaningful reform. Their members have experienced the disastrous consequences of unemployment; their members have experienced the inadequacies of the current Federal-State system; their members want reform.

I am delighted with their support, and I know that their support means so very much to the prospects for successful passage of this important bill. Once again, organized labor has helped in an important way with the development of critical legislation and with support for its prompt passage.

I ask unanimous consent that letters from Mr. Andrew J. Biemiller, director of legislation, American Federation of Labor and Congress of Industrial Organizations; Mr. Jack Beidler, legislative director, International Union, United Automobile, Aerospace & Agricultural Implement Workers of America—UAW; and Mr. David Sweeney, political and legislative director, International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America be printed in the RECORD.

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

AFL–CIO,
Washington, D.C.

Hon. WALTER F. MONDALE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: We have carefully studied S. 3512, a bill to extend and improve the Federal-State unemployment insurance system, which you introduced on May 16, 1974.

Recently, the AFL–CIO Executive Council said "Despite this danger, (sustained high unemployment) the nation is still saddled with an obsolete system of unemployment compensation incapable of meeting the needs of jobless workers."

The Council statement on "Unemployment Insurance" continued, "the glaring deficiencies of the entire unemployment compensation system merit the immediate attention of the Congress.

S. 3512 merits the consideration of Congress because it meets the present deficiencies in our Federal-State unemployment insurance system.

First, it includes the thousands of workers who after 39 years remain without the protection of unemployment insurance, namely, agricultural and domestic workers and public employees.

Second, it sets a minimum standard nationwide in the determination of eligibility.

Third, it fixes a minimum weekly benefit amount for each state that is related to the economy of the state.

Fourth, it approaches the problem of the "waiting period" in the same manner which has so long been accepted in the field of workmen's compensation. S. 3512 extends unemployment insurance to 39 weeks.

Fifth, without the use of "triggers," which have served the unemployed so badly that the Congress has had on six different occasions to remove temporarily one of the phases of the two part trigger.

We believe S. 3512 will underwrite the basic needs of the unemployed worker to weather his unemployment and provide as is often claimed the first bulwark against depression.

We commend you for introducing S. 3512. We will urge its support by the Congress.

Sincerely,

ANDREW J. BIEMILLER,
Director, Department of Legislation.

UAW,
Washington, D.C.

Hon. WALTER F. MONDALE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MONDALE: For years, the UAW has sought realistic and meaningful reform of the unemployment insurance system to make it more responsive to the needs of America's working men and women. The legislation you are planning to introduce embodies the most important of the reforms we seek, and we hope the Congress will act favorably upon the proposals contained in your bill.

On behalf of the UAW, I wish to express to you our continued support for the kind of needed reforms proposed in your unemployment insurance legislation. Your concern about this vitally-important issue is appreciated.

Sincerely,

JACK BEIDLER, *Legislative Director.*

INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN AND HELPERS OF AMERICA,
Washington, D.C.

Hon. WALTER F. MONDALE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MONDALE: On behalf of the International Brotherhood of Teamsters, I endorse your proposed revision of our present unemployment compensation laws.

Of particular concern to our organization is the extension of unemployment insurance benefits to those who, because of the accident of occupation, have not been uniformly entitled to participate in a comprehensive insurance program. Thus, we encourage your inclusion of coverage for farm workers, domestics and state and local employees.

In addition, we believe that your proposal represents a fair and reasonable approach to worker eligibility for compensation and the amount of weekly benefits to which an individual is entitled.

With regard to a worker's eligibility we believe that special inteersts in the various Sstates have, in many instances, combined to deny workers the opportunity to receive unemployment compensation, notwithstanding the fact that these people are as entitled to participate as any other working person. In or view, the only reasonable solution to such a matter is the establishment of Federal standards.

Again, in the spirit of reasonableness, your formula for compensation amounts recognizes that there are variations among individual States as to the amount a person should receive in unemployment compensation.

Senator, in summary, we believe your proposal for improvements in unemployment compensation will not only prove beneficial to those workers who should be affirmatively included with in the provisions of an unemployment compensation law, but will also improve the status of those who are currently eligible for these benefits.

Thank you for your consideration in this matter.

Sincerely,

DAVID A. SWEENEY,
Political and Legislative Director.

Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 93d CONGRESS, SECOND SESSION

Vol. 120 WASHINGTON, TUESDAY, SEPTEMBER 17, 1974 No. 139

Senate

THE SUGAR ACT

Mr. MONDALE. Mr. President, 2 weeks ago my distinguished colleague from North Dakota, Senator BURDICK, gave my excellent speech at the dedication of the new Red River Valley beet sugar factory at Hillsboro, N. Dak.

Sugar beet production is a large and rapidly growing industry in the Red River Valley bordering the States of Minnesota and North Dakota. With the opening of the Hillsboro and Wahpeton plants in North Dakota and a new facility at Renville, Minn., next fall, the beet industry could be a $300 million a year business in the two States within the near future.

But, as Senator BURDICK pointed out in his address:

> It is ironic that the forty-year-old Sugar Act, which induced farmers to erect these factories, is currently scheduled to expire at the end of December of this year.

I should like to quote a brief portion of Senator BURDICK's remarks which I believe go to the very heart of the controversy over extension of the Sugar Act:

> Although the sugar program was born during the Depression, it aided us in obtaining necessary supplies when prices were high. It provided for orderly marketing and prevented scrambling for world supplies in periods of shortage. By means of it, we obtained adequate supplies at fair and stable prices.
>
> Critics have called the Sugar Act Program a "subsidy program." They talk about the costs of the program to America consumers in periods when world prices are low. They disregard the benefits this country has received from the program.

It is far more enlightening and realistic to think of the Sugar Act as a long-range purchase contract.

What is the impact of the defeat of the Sugar Act earlier this year by the House of Representatives? Several figures cited by Senator BURDICK offer useful insight:

> From January 1 through May of this year, before the House action, the duty paid price of sugar landed in New York was $3.25 per 100 pounds lower than the world price at the point of origin. On July 25, the New York price was $3.25 per 100 pounds above the world price.
>
> The increase of $5.88 per 100 pounds in domestic prices relative to world prices is chargeable to the action of the House of Representatives in voting down the Sugar Bill. That increase will cost American consumers $1.4 billion on the 12 million tons of sugar they consume each year.

I strongly support the recommendations of my colleague from North Dakota in urging prompt Senate approval of sugar legislation, as I do those of Representative BOB BERGLAND in the House to secure reconsideration of this important act. As a member of the Senate Finance Committee, I pledge my full cooperation and support in this effort.

Mr. President, as evidence of the need for this legislation, I ask unanimous consent that the full text of Senator BURDICK's speech be printed in the RECORD.

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

ADDRESS OF SENATOR QUENTIN N. BURDICK

I welcome the opportunity to appear here today at this historic dedication of the Red River Valley Cooperative. The Hillsboro factory, being dedicated today, and the Wahpeton factory have carried their efforts forward in making the Red River Valley the "Sugar Beet Bowl" of the world.

I would like to commend you for the leadership you have shown under John Brunsdale, your President, and John Alexander, your Executive Vice President. The fact that all of you have invested a tremendous amount of money and dedication to this project is highly commendable and the reason why we are here today.

This year marks the turning point in the history of the beet sugar industry of the Red River Valley. All beet sugar factories in the Red River Valley are now farmer-owned cooperatives.

Not only have the farmers of the Cooperative joined together in this undertaking, but you have had the cooperation of private banks, state banks, and of the Bank for Cooperatives, and you have had the cooperation of several agencies of the States of North Dakota and Minnesota and of the federal government. It was a privilege for me to participate in this effort also, as I always stand ready to help you.

The Hillsboro and Wahpeton factories have been constructed because of a guarantee provision designed to encourage new sugar production. These provisions were to enable new sugar factories and farmers to produce and market until they could develop historical bases for allotments.

These two new factories have been constructed because of a guarantee provision incorporated in the 1971 extension of the sugar act. Congress recognized that no new sugar factories had been constructed for several years. New factories were needed to replace the old ones that were going out of production and to help supply the increasing requirements of domestic consumers. Accordingly, Congress guaranteed that sufficient acreage and marketing allotments would be made available to permit the production and marketing of 100 thousand tons of sugar by new beet sugar factories during 1972, 1973, and 1974. A corresponding provision was made for the establishment of a new sugar cane enterprise.

Farmers of the Red River Valley started to work immediately after the new sugar bill was approved, October 14, 1971. As a result of heroic efforts, the factories at Hillsboro and Wahpeton will start operating this fall. Through no fault of their own, the growers at Renville, Minnesota, were unable to meet the construction schedule, so their factory will not be able to start until the fall of 1975. I emphasize this time frame because it demonstrates the need for long-range planning for sugar production. But surely, the result is worth all the effort—by 1975 the beet industry could be a $300 million a year business in North Dakota and Minnesota—large by any standards.

It is ironic that the forty-year-old Sugar Act, which induced you farmers to erect these factories, is currently scheduled to expire the end of December of this year. There are a number of factors which contributed to the defeat of the bill in the House of Representatives. Consumer resistance to the present price of sugar and food prices in general; the fact that for the first time the domestic producers, processors, and cane sugar refineries could not agree on a unified position; and, significantly—that the Administration did not actively support the bill. In fact, certain officials of the U.S. Department of Agriculture were known to be opposed to any extension of the program.

Today, we have a sugar crisis. The problem has been in the making for several months. It deserved able handling. The handling that it has received is costing American consumers billions of dollars and is tending to prevent corrective actions.

Let us examine this country's sugar program and its wreckage.

The Sugar Act was primarily established in 1934 to protect domestic sugar growers and major farm organizations. In round figures, the Sugar Act provides that 60% of this country's requirements are to be supplied by the domestic areas and that 40% are to be imported. Nearly half our requirements are produced on the mainland. Prior to 1960, Cuba and the Philippines supplied almost all of our imported sugar. Since Cuba has joined the Communist orbit, sugar imports come from the Philippines and 30 other countries. But the Act has also assured consumers ample supplies of sugar at reasonable prices. A fundamental effect of the Act has also been to encourage foreign trade—a situation which has helped create a healthy economic climate for our domestic sugar industry. These purposes have not and should not change.

Last November, when it was becoming evident that the world sugar supplies were short and prices were starting their ascent, spokesmen for the Department of Agriculture called for the termination of the sugar program. The essence of the sugar program is very simple. A fair price objective is established for sugar supplies to the domestic market. Prices have been maintained in this country by means of a tariff and quota system. In addition, there is a tax on sugar, which provides funds for making conditional payments to growers and for meeting the general expenses of government.

Foreign producers were glad to sell this country sugar under the quota system at the prices established by the formula of the Sugar Act. They knew that, at times, they would receive lower prices in our market than they could receive in the world market. They filled their U.S. quotas at such times because they received fair prices in the United States in periods when world prices were disastrously low. Over the years they came out ahead.

When this country stopped taking sugar from Cuba, our quota system was used to stimulate production in other supplying countries.

Although the sugar program was born during the depression, it aided us in obtaining necessary supplies when prices were high. It provided for orderly marketing and prevented scrambling for world supplies in periods of shortage. By means of it, we obtained adequate supplies at fair and stable prices.

Critics have called the Sugar Act Program a "subsidy program". They talk about the costs of the program to American consumers in periods when world prices are low. They disregard the benefits this country has received from the program.

It is far more enlightening and realistic to think of the Sugar Act as a long-range purchase contract.

Many people, even in the Department of Agriculture, appear not to understand the differences between marketing problems for such crops as cotton, soybeans and wheat, on the one hand, and sugar cane and sugar beets on the other. Soybeans and wheat, in the form marketed by farmers, may be shipped great distances and processed months after harvest. A bale of cotton may be stored for years and finally be processed on the other side of the world.

Sugar cane and sugar beets must be processed locally. Sugar cane should be ground within hours after it is cut. In cold weather, sugar beets can be carried for several months before they are sliced, but even for beets, the processing season is short.

You growers know, firsthand, the cost of entering sugar beet production. Each of your two new factories is costing more than $30 million or $400 per ton of productive capacity. If they were being contracted for today, the cost would be far higher. I understand the cost of the Renville plant will exceed $50 million or around $700 per ton of capacity.

In addition, each beet farmer has spent tens of thousands of dollars for specialized planting and harvesting equipment and for trucks to haul the beets to delivery points. You have incurred indebtedness that will take 30 years to repay.

Even greater investments of time and money are required in areas where land must be cleared and irrigation systems installed. Foreign countries invested hundreds of millions of dollars expanding sugar production to fill the gap in our supplies when Cuba diverted its supplies to the Soviet Union.

Once sugar beet projects are started, it is necessary that they be continued for a number of years. Of course, where growers have no financial interest in the factories, they are legally free to stop production at will. Stopping the production of beets, however, soon leads to the closing of factories. That may be one of the reasons that corporate capital stopped building beet sugar factories in the United States.

Although sugar beet and sugar cane factories and associated farm production must be planned and financed for long period of years, sugar prices in the world market are subject to wide fluctuations over short periods of time. Some of you will recall 1920, when sugar prices rose to around 25 cents a pound; two years later, refined sugar was selling for less than 5 cents a pound. Most of you will recall early 1964 when the world price exceeded 10 cents per pound; for the next four years, it averaged 2 cents per pound.

It may be argued that conditions are different now, and certainly they appear to be different. Nevertheless, responsible financial institutions can not base the investment of hundreds of millions of dollars on the mere hopes or appearances. They need assurances until the loans can be repaid.

Sugar producers, both in this country and abroad, will expand production if they are assured of fair prices over a period of years, but they cannot jump into production during periods of temporary scarcity and high prices.

In recent months, we have witnessed a carefully planned and organized effort to terminate the Sugar Act and destroy the domestic sugar-producing industry. Starting last November, the Director of the Sugar Division at the Department of Agriculture made speeches against the Sugar Act. He was followed and supported by other officials of the Department. Shortly before the bill to extend the Sugar Act came up on the floor of the House, a publication, criticising the sugar program and the existence of the domestic sugar industry, was released. Some of these statements incorporated suggestions for a target price and payment system for temporary protection, but in terms of practical economics and politics, those suggestions offered North Dakota beet growers no protection.

Critics of the domestic sugar industry charge that it is inefficient and say that domestic sugar production is subsidized. They undertake to woo consumers by calling attention to the cheap sugar they could buy on the world market when prices are depressed.

The critics tell farmers that they could make more money growing other crops for export than they can growing sugar for domestic consumption.

This last bit of advice makes one wonder whether these critics are acquainted with the problems that confronted Red River Valley wheat growers when they lost their export market 50 years ago. Some of it has been regained in the past two years. Do you remember when your wheat problem was referred to as "that pain in our Northwest"? Do you remember when your leaders were referred to as "The Sons of The Wild Jackass"? My guess is that farmers in the Red River Valley will be unwilling to return to one-crop agriculture.

Some of those who argue for free trade and the elimination of the domestic sugar industry, also claim that the Red River Valley would have more beet factories today if the Sugar Act did not exist. They say this, knowing that world sugar prices were below 3 cents per pound during most of the 1960's and as low as ½ cent per pound during the Great Depression.

Then we come to the argument that the sugar program is expensive to consumers. The basic argument is that, in most years, sugar prices on the so-called world market are lower than they are in the United States. The United States has long been the largest sugar importer in the world. However, at no time since the early 1930's could the world market have supplied all the United States requirements for sugar. It would require decades of effort and the expenditure of billions of dollars to expand world production sufficiently to meet the total requirements of the United States. Do we want to put foreign countries in complete control of our sugar supplies? Our recent experience with oil imports and our current sugar problems would seem to give sufficient warning not to get into further difficulties of that sort.

The major sugar-consuming countries of the world consider their sugar supplies to be too important to leave to the vagaries of the so-called world market. Napoleon impressed the countries of Europe with the fact that overseas supplies could be cut off. Countries on the continent of Europe obtain all or most of their requirements from their own beet sugar industries and they insist on continuing to do so.

The charge has been made that our domestic sugar programs costs consumers between $502 million and $730 million annually. I understand that sugar experts quarrel with these statistical conclusions and even critics have admitted that they were uncertain of these figures. In view of the tremendous increases in sugar prices since the Sugar Bill was defeated, however, consumers of this country should keep in mind that even critics of this bill placed the cost within a range of only 1½ to 2½ cents per pound.

There is nothing new about recent arguments for free trade. They add nothing to the arguments, by Adam Smith, the father of free trade, made 200 years ago. Indeed, the critics of the sugar program appear not to be very good students of Adam Smith. Smith was not confronted with a shortage of import supplies. The critics of our sugar program are now discovering, to their surprise and dismay, that world sugar supplies are short.

Sugar production is one of the industries this country cannot have without protection. In this respect, it is similar to the textile industry and, in fact, to most of our manufacturing industries and to a number of our agricultural enterprises. If we want the benefit of such industries, we must give the protection they require to continue to operate. This is accepted by government, business and labor in the case of our manufacturing industries. It needs to be accepted equally for some of our agricultural enterprises.

The defeat of the Sugar Bill told foreign suppliers that they would no longer have an assured market at a fair price in the United States. In effect, they were told to sell their sugar to the highest bidder anywhere in the world. Domestic consumers were told that, henceforth, they could obtain imported supplies only by outbidding all other buyers.

What has all this done to sugar prices?

Last November, when the attack on the Sugar Act started, the New York price of raw sugar was just over 11 cents per pound; the wholesale price of refined sugar was under 14 cents per pound; and the U.S. average retail price was 16½ cents per pound. By June 5th, the day the Sugar Bill was defeated, the raw price had risen to 24½ cents per pound. By July 25, the raw price had risen to 31½ cents per pound—20½ cents above the November level. Retail prices have been quoted as high as 45 cents per pound. They may be heavenly to sugar brokers, but it is hellish to the housewife.

From January 1 through May of this year—before the House action, the duty-paid price of sugar landed in New York, was $2.63 per 100 pounds lower than the world price at the point of origin. On June 25, the New York price was $3.25 per 100 pounds above the world price.

The increase of $5.88 per 100 pounds in domestic prices relative to world prices is chargeable to the action of the House of Representatives in voting down the Sugar Bill. That increase will cost American consumers $1.4 billion on the 12 million tons of sugar they consume each year.

It is impossible to determine how much of the additional rise is a result of the House action; just as it is impossible to determine how much was the result of earlier statements and actions of the Department of Agriculture. However, the total increase of 20½ cents per pound since last November will add nearly $5 billion in the annual cost of sugar to American consumers.

Many families have raised gardens this year to help keep down the cost of food. Now when the canning season is here, they find that the higher cost of sugar may offset the savings from their summer's work. If American housewives or industrial users are unhappy with present sugar prices, the record shows who brought about the defeat of the Sugar Bill.

In respect to the future, the defeat of the extension of the Sugar Act obviously creates uncertainty. The Act has probably worked better than any other agricultural program and naturally the prospects of operating without a sugar program give rise to many questions. Unless action is taken during this session of the Congress, the program expires on December 31. However, Administrative actions could help. This is what could be done.

1. The tariff on imported raw sugar will go from 62½ cents to at least $1.52 to $2.00 per hundred weight. However, the President has the authority to keep the tariff at 62½ cents by an Executive Order imposing a quota system. The exact authority is still being researched.

2. Secretary of Agriculture, Earl Butz, has discretionary authority to institute a loan or purchase price support program at levels from zero to 90% of parity for domestic sugar producers under Title III of the Agriculture Act of 1949, in the event such protection is deemed necessery.

3. The President has general authority to restrict imports through the Tariff Commission or Section 22 of the Agricultural Adjustment Act of 1933.

These then are possible alternatives that we have available other than legislation.

There is no quick or easy solution to our sugar problem. We need increased sugar production in the United States and in foreign-supplier nations. This will require the investment of hundreds of millions of dollars over a period of years. Results cannot be obtained from a 1-year or a 2-year program. It is not certain that results can be obtained from a 5-year program. It may require a 10-year program.

Congress should enact a new sugar program, looking solely toward the attainment of adequate production and stabilized prices. That legislation should be enacted for a long enough time to enable producers, at home and abroad, to end the sugar shortage and get prices back to normal levels. Admittedly, present high prices are undoubtedly welcomed by those who have sugar to sell. I hope they will enable you to liquidate some of the huge indebtedness you have incurred in undertaking these projects.

Those who enjoy these profits, should temper their good fortune with reality, for if prices are too high, there is the danger, that the users of sugar, particularly commercial users will turn to substitutes such as corn syrup and other sweeteners. There is a peril point which cannot be ignored. I am confident, however, that you growers will be willing to sit down with consumer representatives and with the Committees of Congress to write legislation that will reestablish plentiful supplies and fair prices. The House's earlier rejection of the sugar bill and the constitutional problem in originating such legislation in the Senate will of course, make your task more difficult.

At present we are exploring all avenues, which include possible recommendations by the House and Senate rider on a House bill. The attitude of the new President may have a bearing on the possibility of legislation in this Congress. At the moment, I have nothing concrete to report. As I close, may I leave you with this tribute; You are fast making the Red River Valley into a major sugar bowl for the United States. This climate and rich soil are well suited to beets. Your large, level fields permit the efficient use of machinery. Your increasing production is strategically located for marketing. You are attacking your problems with the same spirit of pioneering and daring that your forefathers showed when they settled this country.

I pledge you my continued efforts on the legislative front.

I congratulate you and wish you the great success you so richly deserve.

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Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 93^d CONGRESS, SECOND SESSION

Vol. 120 WASHINGTON, MONDAY, SEPTEMBER 30, 1974 No. 146

Senate

By Mr. MONDALE (for himself and Mr. BROOKE):

Senate Joint Resolution 246. A joint resolution authorizing the Office of Watergate Special Prosecution Force to investigate and report on White House crimes and conferring power to compel testimony and subpoena relevant tapes and documents. Referred to the Committee on the Judiciary.

Mr. MONDALE. Mr. President, I make the following statement on behalf of myself and the distinguished Senator from Massachusetts (Mr. BROOKE).

Because of the agreement between former President Richard Nixon and the General Services Administration regarding White House tapes and documents, there is a possibility that the American people and the Congress may never be able to reach a final judgment on the extent of the involvement of Mr. Nixon and others in Watergate and related incidents.

Under the terms of this agreement, the former President is given total control over the Presidential papers and tapes, subject only to subpenas issued by courts of law. And he is given the right to destroy the tapes after 5 years. In our judgment such an arrangement may prevent the full story of Watergate from ever being told.

We fully support legislation soon to come before the Senate to abrogate the agreement between Mr. Nixon and the GSA. But even under this legislation, access to crucial evidence may be limited to subpenas obtained through the criminal justice process.

The Watergate cover-up trial will provide some of the facts. But only part of the story will emerge, for a criminal trial involving certain individuals must be confined to those issues that relate to the guilt or innocence of those particular individuals. Thus, no matter how much we learn from the trial, we will never know how much remains concealed.

And this would be tragic. Ours is, as Lincoln said, a government "of the people, by the people, and for the people." And for the people to judge the extent of wrongdoing and the measures needed to prevent the recurrence of this tragic episode, they must know all the facts.

We strongly believe that the truth must come out—to meet the people's right to know, and in a way that allows the President and the Congress the opportunity to refocus their energies and attentions on the serious and pressing problems that now beset our Nation.

And therefore we are introducing today legislation authorizing and directing the Special Prosecutor to conduct a thorough investigation of the involvement of former President Richard Nixon and others in Watergate and related incidents and to issue a public report containing the material evidence, together with such findings, conclusions, and recommendations as he finds appropriate.

In addition, our bill will confer on the Special Prosecutor the power, through the courts, to compel testimony and to subpena tapes and documents relevant to his inquiry. There is ample authority for such a legislative grant of authority. Similar powers were conferred on the Warren Commission—which, like the Office of the Special Prosecutor, was created by Executive order—by Congress.

We believe our approach has distinct advantages over other proposals that have been advanced:

Unlike proposals for congressional inquiries, our approach removes the investigation from the political arena, and leaves Congress and the President free to concentrate on today's problems;

By putting the inquiry in the Special Prosecutor, our approach avoids the risk of jeopardizing trials with ill-timed publicity, and takes advantage of the expertise accumulated by Mr. Jaworski and his staff;

And finally, by placing this critical responsibility in the hands of the respected Special Prosecutor and his excellent staff, our approach avoids devisive argument over who should serve on any new national commission.

We applaud the efforts of members of the Senate Committee on the Judiciary to secure the kind of inquiry and final report from the Office of Special Prosecutor envisioned in the bill we proposed today. And we believe the additional legal authority to compel production of documentary evidence and testimony provided in our bill would prove most important to the conduct of such an inquiry and report.

It should be made clear that, under our bill, the Special Prosecutor will have complete control over the timing of the investigation and report. Obviously he will place his prosecutorial responsibilities first. And our bill also provides for additional staff so that, to the extent he considers it appropriate, the two functions can proceed side-by-side.

We hope that this important legislative initiative will receive widespread support. Such support would help remove the Watergate debate from the political arena and place the search for truth in the context of an independent investigation—where it belongs.

The time has come, at long last, to explain fully the Watergate tragedy, and to move the attention of the Congress and the President from Watergate to the urgent economic and other problems facing the country.

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 93^{d} CONGRESS, SECOND SESSION

Vol. 120 WASHINGTON, THURSDAY, OCTOBER 3, 1974 *No. 149*

Senate

Mr. MONDALE. Mr. President, I would like to commend the distinguished chairman of the Parks and Recreation Subcommittee and the chairman and members of the Senate Interior Committee for their prompt and favorable action on S. 3022. As reported by the committee, this measure contains two provisions with which I am especially concerned.

The first provision would increase the funding for the lower St. Croix River protection program from the current ceiling of $7.275 million to a level of $19 million. This additional authorization is essential if the National Park Service is to carry out the legislative mandate of the 1972 Lower St. Croix River Act to assure the perpetual preservation of this important scenic and recreational resource.

In passing the original Lower St. Croix River Act, the Congress established a unique approach to the preservation of a scenic and recreational riverway. This approach involved a sharing of responsibility for the riverway among the Federal Government and the States of Minnesota and Wisconsin. At the time that the law was enacted in 1972, it was understood that the Federal Government would purchase lands and scenic easements to protect the upper 27 miles of the riverway and that the States through parallel programs would protect the lower 25 miles of the riverway.

Unfortunately, as a result of an error in the cost estimates prepared by the Bureau of Outdoor Recreation, the initial authorization approved by the Congress was far too low to carry out a full program of protection in the Federal management zone. In fact, subsequent appraisals showed that a funding level of $7.275 million would permit protection of only about one-third of the Federal segment of the river.

At a meeting last February, members of the Minnesota and Wisconsin congressional delegations together with Gov. Wendell Anderson of Minnesota and a representative of Governor Lucy of Wisconsin discussed this problem with officials of the Park Service and the Department of the Interior. From the discussion it was obvious that there was no feasible method of living up to the mandate of the 1972 act without a substantial increase in funding. Neither concentrating the funds exclusively in the upper 10-mile scenic zone of the river, nor buying property on a patchwork basis throughout the 27-mile Federal segment provided a workable alternative. Developers would have a field day in either case. We, therefore, requested an estimate from the National Park Service of the cost of a program of full protection for the riverway. It is this figure that provided the basis for the introduction of S. 3022 upon which the Senate is voting today.

At a hearing last June, the Parks and Recreation Subcommittee received testimony from State and local government officials, conservation groups and others unanimously in support of this bill. In cross questioning, officials of the National Park Service even stated that they had advocated a favorable report on the bill from within the Department of the Interior.

In approving S. 3022 today, the Senate can insure that the priceless natural values of the lower St. Croix River are not destroyed but preserved for people today and for generations to come.

The second provision of this bill that I am particularly interested in relates to the designation of new rivers for study as potential additions to the National Wild and Scenic Rivers System. I am very pleased that the Senate Interior Committee has included in the list of study rivers two rivers in Minnesota, the upper Mississippi and the Kettle, in accordance with legislation which I introduced last year.

The Kettle is among the finest canoe rivers in America. It is a wild river abounding in fish and wildlife and only barely touched by residential development. The State of Minnesota has already conducted a preliminary study of the Kettle under the State wild and scenic rivers act, and it is prepared to cooperate fully with the Federal Government in avoiding any duplication of effort in connection with the national study. Making use of the information already collected by the State of Minnesota, I would hope that the Federal-State study could concentrate on what Federal resources might be necessary to adequately insure the protection of the Kettle.

With respect to the upper Mississippi River, there can be no doubt of the unique national interest i- this waterway. From its source at Lake Itasca to the boundary of the city of Anoka, the upper Mississippi is predominantly a wild and scenic river with some stretches that might be classified recreational.

This past summer I had an opportunity to personally visit the Mississippi at Monticello, Minn. I was impressed by the remarkable quality of the water, by the serenity of the scenic view, and especially by the fact that these natural values can still be found on the Mississippi within 30 miles of a major urban center.

In the case of the Mississippi, like the Kettle, the State of Minnesota has already initiated a study under its scenic rivers program. But with a river segment more than 400 miles long, there is no hope that Minnesota can safeguard this resource wthout substantial Federal help. Cooperation between Federal and State agencies could, however, expedite the national study so that a full-scale protection program can be launched before development pressures become insurmountable.

In passing S. 3022 today, the Senate has an opportunity to begin the process toward what I hope will eventually be permanent protection of the Mississippi and the Kettle, as well as the lower St. Croix.

As further evidence of the need for such action, I should like to have included in the CONGRESSIONAL RECORD today copies of my statements before the Parks and Recreation Subcommittees last June.

Mr. President, I ask unanimous consent that the following statements be printed in full at this point in the RECORD.

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

TESTIMONY OF SENATOR WALTER F. MONDALE ON LOWER ST. CROIX RIVER

Mr. Chairman, I am grateful for this opportunity to testify before the Committee on S. 3022, the bill Senators Nelson, Humphrey and I have introduced to increase the authorization for the Lower St. Croix River Preservation program.

This Committee has probably devoted as much or more attention to the Lower St. Croix as it has to any other river in the country. Interior Committee consideration of legislation affecting the river dates back to 1965, and you are by now well aware of the natural attributes to this unique resource. Qualities such as the spectacular rock formations of the Dalles of the St. Croix, the intimate islands threading the river between Taylor Falls and Stillwater, and the majesty of Lake St. Croix, in 1972 prompted the Congress to designate the Lower St. Croix as the first federally protected addition to the original National Wild and Scenic Rivers System.

An unprecedented agreement for cooperative federal-state river management was adopted in the Lower St. Croix Act. The federal government was designated as the administering agent for the upper 27 miles of the river while the states of Minnesota and Wisconsin were to share administrative responsibility for the lower 25 miles of the river. A coordinated approach to the overall protection program was to be achieved through a joint master plan to be developed within one year of the date of enactment (October 25, 1972) and submitted for consideration by the Congress.

The obvious aim of the Congress in passing the Lower St. Croix River Act (P.L. 92-560) was to assure the perpetual preservation of the scenic and recreational opportunities afforded by this remarkably unspoiled metropolitan river.

This concept of perpetual preservation lies at the heart of the wild and scenic rivers system, and it is a guarantee, backed by the resources of the federal government, that however man's intrusion may destroy or desecrate other natural resources, rivers included within the system will be fully protected for people living today, for their children, and for generations to come.

Embodied in the form of legislation, this objective of permanent preservation of the Lower St. Croix won the near unanimous endorsement of State and local officials representing the river valley, of residents, of conservation groups, and ultimately of both Houses of the Congress and the Administration.

The record time in which the Lower St. Croix River Act was passed—five days from the initial mark-up by the Senate Interior Committee through Committee and floor action in the House—attests to the urgency Congress attached to protecting the river in view of the immediacy of the threat posed by developers.

This sense of urgency was fully justified. If the Congress had moved as quickly as it did to pass the Lower St. Croix River Act, cliff dwelling townhouses and a mid-rise apartment building might today scar the bluffs of the river. For even as federal-state planners first met to develop the specific details of the protection program, one developer was proceeding with his own plans for the construction of a housing project which included townhouse and an apartment building to tower over the valley.

Even with the Act, it took massive pressure from the Governors of the two States, members of the Congress, and a lawsuit filed by the Attorney General of Minnesota to force the developer to reconsider his plans. In the face of the lawsuit the developer signed an agreement last September 27th, resulting in the modification of his plans to conform to riverway guidelines.

Although this project was stopped in time, there is nevertheless no assurance today that another developer could not attempt to press for a similar project and win even in the courts.

It is against this backdrop that today's hearing takes place. Less than a month after the agreement with the developer was reached, two new obstacles emerged to jeopardize the immediate goal of completing the master plan and implementing the preservation program. The first and relatively minor problem was the unanticipated need for an environmental impact statement on the project. The second and by far the most serious obstacle was the discovery of a major deficiency in the funding for the federal share of the program.

The initial estimate of the cost of the project was developed by the Bureau of Outdoor Recreation. It was based upon the average per acre price of land in the St. Croix Valley. Neither the Congress nor the States had any reason to question this estimate of $7.275 million for acquisition and development in the federal zone, and this figure was included as the authorization ceiling in the Lower St. Croix River Act. Only later, after more detailed appraisals, did we discover that the actual cost, based on the price of land per front foot along the river, would be much higher.

This discovery on October 22, 1973 prompted Governors Wendell R. Anderson and Patrick Lucey to write the following letter to the Secretary of the Interior.

"As you know, the State governments of Minnesota and Wisconsin are participating with your Department through the National Park Service in the formulation of the Federal-State Comprehensive Master Plan for the protection of the Lower St. Croix River under P.L. 92-560.

"We are, however, distressed that the funding provided by last year's Lower St. Croix River Act for acquisition and development of lands in the 27-mile federally administered river zone appears to be inadequate. Nearly two-thirds of that segment will have to be controlled through a fragmented system of local zoning codes, rather than through full or partial public interest in lands by your department. We are concerned as to how this serious gap occurred since there seemed to be no question at the State or Federal levels during negotiations on the bill that the $7,275,000 sought for the federally administered segment would be sufficient to protect the full 27-miles of the river valley through fee or easement purchase on river front lands, except within four small municipalities and State-owned areas."

The Governors requested Secretary Morton's assistance in seeking additional funds from the Congress. But in its reply, dated December 6th, the Department rejected this plea and effectively told the States that notwithstanding the federal commitment to protect the zone, Minnesota and Wisconsin would have to assume the full responsibility for preservation of two-thirds of the federal segment.

Interior's letter prompted members of the Minnesota and Wisconsin Congressional Delegations on December 20th to request a meeting with Ronald H. Walter, Director of the National Park Service.

The meeting was held in the Capitol on February 6, 1974. Assistant Secretary John Kyl, Dr. Richard Curry, Robert Chandler, Richard Whittpen and others represented the Department of the Interior. Governor Wendell R. Anderson, Commissioner Robert Herbst and Assistant Commissioner Archie Chelseth of the Minnesota Department of Natural Resources attended on behalf of Minnesota. Farnum Alston appeared for Governor Lucey and James Harrison and James Johnson for the Minnesota-Wisconsin Boundary Area Commission. Finally, Senators Nelson, Humphrey and myself and Representatives Blatnik, Fraser, Karth, Quie and Thomson took part in the discussion.

Our common goal was to seek assurances of Administration support for legislative action to afford adequate and timely funding for the project at a level which would guarantee perpetual protection of the entire river corridor. We also sought an assurance that high priority handling would be granted by the Department at all levels for both the completion of the environmental impact statement and the approval of the master plan.

At this point I should like to have inserted in the hearing record a copy of a letter from Assistant Secretary John Kyl received by each of the Congressional participants in the February 6th meeting. This letter indicates that $18,775,000 would be required to carry out a program of full protection for the entire 27-mile federal segment of the river. This estimate is, incidentally, based upon the level of protection envisioned by the Congress when the Lower St. Croix River Act was passed. At that time a conceptual development plan had been prepared by the federal-state Lower St. Croix study team and made available to members of the Congress and the public. This plan appears on page 103 of the Interior Committee's hearing recorded on S. 1928, the Lower St. Croix River Act. It shows federal acquisition of lands on both sides of the river throughout the upper 12-mile segment of the river classified recreational.

Unquestionably, this is the program for the federal segment which the States and the Congress had in mind when the Lower St. Croix River Act was passed.

Turning back to Secretary Kyl's letter, we find what I believe to be tacit recognition of the total inadequacy of a program, based on the $7.275 ceiling, which would rely on local zoning as the sole tool for protection of the lower 17 miles of the federal segment of the river.

Assistant Secretary Kyl states:

"In response to your suggestion that the draft master plan be modified, we are preparing an amendment to the master plan which would provide for this alternative regarding the protection of the lower 17 miles of the Federal portion of the riverway. The amendment would be applicable if additional funding is secured. However, I have under advisement the following recommendations of the Land Planning Group:

1. National Park Service be instructed to direct the field planners to reevaluate the areas proposed for acquisition and to identify those areas in the Federal sector of the Lower St. Croix that are under immediate threat and would be lost if acquisition is not made immediately.

2. The National Park Service begin immediate acquisition with the money authorized by Public Law 92-560 ($7.275 million) and to acquire on a first priority basis those 18 areas identified by the States that are under immediate threat and would destroy the resources of the river.

3. Whenever possible, less than fee title to the lands be acquired.

4. The Department of the Interior, at this time, submit a negative report on the legislation H.R. 12690 (S. 3022), amending the lower St. Croix Act of 1972 until there is sufficient evidence resulting from the National Park Service acquisition of the areas along the St. Croix to show that funds available under Public Law 92-560 are not sufficient to carry out the acquisition program for these areas.

5. As soon as it becomes evident and experience is available that as a result of the land acquisition in the Lower St. Croix area that the costs of acquiring the land will exceed the monies authorized for the acquisition, the Department should advise Congress that additional funding is needed and request such additional authorization and funds needed to carry out the acquisition to protect the resources of the Lower St. Croix according to Public Law 92-560."

Mr. Chariman, if it were possible to adequately protect the Lower St. Croix for less than the $18.7 million figure provided by the National Park Service, the sponsors of S. 3022 would not have requested this hearing today. But it is the unanimous view of the Governors of Minnesota and Wisconsin, the Minnesota-Wisconsin Boundary Area Commission, the St. Croix River Association and a host of conservation groups in the two states that it cannot.

Without legislation to increase the authorization for the Lower St. Croix Protection Program, we are essentially faced with two alternatives. The first alternative is reflected in a draft master plan prepared by State and Federal field representatives and submitted to the Departmental officials in Washington and Philadelphia on October 23, 1973. The second alternative is that outlined in Secretary Kyl's letter.

Mr. Chairman, I should like to have inserted at this point in the Record a copy of the map which appears on page 145 of the draft master plan. This map, entitled Federal Boundary, illustrates the proposed program for protection of the federal segment of the riverway based on a funding level of $7.275 million. As you will note, the map provides for acquisition of land and easements in the first 10 miles of the federal zone to be classified scenic. However, except for the proposed purchase of a few acres for a visitors' center above Stillwater, the plan provides for no acquisition of land or easements along the shore of the remaining 17-mile stretch of the federal zone. It is this segment, which comprises almost two-thirds of the federal portion of the riverway, that would be jeopardized unless an additional authorization is secured. For the only controls on land use in this area would be through zoning. The reason for reliance on zoning in this segment is clearly articulated on page 28 of the draft master plan, which states, "The provisions of Section 6 [Ceiling on Appropriations] have exerted the greatest constraints on preserving a significant portion of the Federal segment of the riverway." Simply put, this means without more money the National Park Service cannot do the job Congress directed it to do.

Here is why a lesser program will not work. In an area which is already heavily impacted by development, zoning can be an adequate and appropriate tool to guide future development. But for areas that are essentially natural in character, zoning authority is not sufficient to prevent the loss of existing scenic and recreational values.

National Park Service field personnel, as well as the Governors of Minnesota and Wisconsin, recognized the inadequacy of zoning powers to preserve scenic areas and commented on page 33 of the draft master plan, "Given the level of funding authorized in Public Law 92-560, it is not possible to acquire lands in fee or scenic easements in the Federal recreation zone without seriously compromising the preservation intent of the scenic zone."

In the absence of fee and easement acquisition would compromise the preservation intent in the scenic zone, it is obvious that the lack of such acquisition would seriously jeopardize protection for the 17-mile federal recreation zone.

The federal government should not be in the position of abandoning all protection of two-thirds of the area it is supposed to administer in order to save the upper one-third. While there is just enough development in the lower segment to require that it be legally defined as recreational rather than scenic, there is in fact no abrupt change in the river environment below the boundary between the two classifications. On the contrary, the river maintains for the most part the intimate island and slough setting and the essentially unspoiled natural beauty which led to its designation as a component of the National Wild and Scenic Rivers System.

Regarding the adequacy of zoning, the draft master plan states on page 51:

"Historically . . . zoning has proven to be the weakest tool available for the protection of riverway corridors. At times, zoning laws can be changed by political and economic pressures. A few variances, if incompatible with the National Wild and Scenic River Program, could jeopardize the environmental quality of the Lower St. Croix Riverway. In addition, it has been extremely difficult in the courts to justify zoning primarily on the basis of esthetics."

Because of this problem, Minnesota and Wisconsin in the management plan for the State administered segment of the Lower St. Croix will be purchasing easements on all riverfront property in private ownership outside of incorporated villages; and in the case of critical areas in the State zone, easements would be sought even within incorporated municipalities.

In considering the potential effectiveness of Interior's draft master plan, it is important to note that either fee title or easement will be purchased along the upper 10 miles and that at a minimum easements will be purchased by the States in the lower 25 miles of the river. This leaves a 17-mile gap in the protective program where only zoning, the weakest preservation tool, stands between the developers and the scenic character of the riverway. It is inevitable that all of the development pressures along the river would be funneled into this 17-mile gap, and it is to combat these very pressures that the Congress designated the Lower St. Croix for preservation.

A study developed by the Minnesota-Wisconsin Boundary Area Commission has revealed some 19 current proposals for development along the Lower St. Croix. Six of these proposals involving 3280 acres are already targeted for the 17-mile unprotected corridor in the federal zone. They would involve 500 or more units of housing and a commercial recreation complex with possible construction of a hotel and restaurant facilities for skiing and a trails network.

These proposals were brought to the attention of Departmental and Park Service officials at the February 6th meeting, and it is the information presented at this briefing that provided the impetus for the alternative recommendations of the Land Planning Group discussed in Secretary Kyl's letter.

That alternative contemplates a program of spot purchases of easements where possible and of lands where necessary to protect areas throughout the 27-mile federal segment of the riverway. But because of limitations on program funding, such a plan would necessarily involve compromising the preservation of the upper 10-mile scenic segment of the river. And in the absence of a guarantee of full protection for even two small contiguous segments of the federal zone, the developers would be given an invitation to speculate on properties throughout the upper 27 miles of the river. By moving from one potential site to another before the Park Service could react, it would be the developers, rather than the federal government, who would dictate the fate of the river. Thus, without any form of overall guidance, such a program would result in a checkerboard pattern of developed and scenic areas with no rational relation to the spirit of preservation which is basic to the wild and scenic rivers system.

The lower St. Croix River program depends for its success on the cooperation of Federal, State and local government. Each level must do its share or the entire effort will collapse. The States of Minnesota and Wisconsin have each passed implementing legislation to assure that they have the authority to safeguard the segment of the river entrusted to their administration. Both States are committed to purchase easements and to manage existing State owned lands in a manner which will provide for the perpetual preservation of this unique resource.

It is now for the federal government, for the Administration and the Congress, to live up to their part of the agreement. A plan to utilize the $18.775 million in funding has already been prepared. It is ready for implementation as soon as Congress gives the word. The bill before you today to carry out this plan has the support of the Governors of the two States, of the Minnesota-Wisconsin Boundary Area Commission, of the St. Croix River Association representing local residents, and of state and national conservation groups.

The responsibility lies here with us today. I am hopeful that this Committee and the Congress will react swiftly and favorably. There is not much time left, and it would be a tragedy for the citizens who have worked so hard to secure protection for the Lower St. Croix to have the battle lost at this late stage for lack of funds. But above all, it would be a tragedy for the river and for the millions of people who are by law entitled to use and enjoy it.

There is no need for extended debate on this legislation. We are dealing not with a question of priorities, but of our obligation to honor our own commitment firmly written into the Lower St. Croix River Act. We must meet this obligation.

TESTIMONY OF SENATOR WALTER F. MONDALE ON UPPER MISSISSIPPI AND KETTLE RIVERS

Mr. Chairman, I am grateful for this opportunity to appear before the Committee to testify on behalf of wild and scenic rivers system studies of two outstanding rivers in my State.

The first river I should like to discuss hardly needs an introduction, it is the best known river in the United States, the Mississippi. For most of its 2,350 mile length the Mississippi today could scarcely be considered an untouched natural resource. In many areas it has been heavily impacted by pollution. Competing commercial uses have by and large overshadowed attention to the recreational potential of the river. But, winding from its source at Lake Itasca south to the City of Anoka, Minnesota, the river offers opportunities for visitors to enjoy a variety of wild, scenic and recreational qualities that are among the finest in our nation. In this area the river still warrants Mark Twain's description, written nearly a century ago:

"The majestic bluffs that overlook the river, along through this region, charm one with the frace and variety of their forms, and the soft beauty of their adornment. The steep verdant slope, whose base is at the water's edge, is topped by a lofty rampart of broken, turreted rocks, which are exquisitely rich and mellow in color—mainly dark browns and dull greens, but splashed with other tints. And then you have the shining river, winding here and there and yonder, its sweep interrupted at intervals by clusters of wooded islands threaded by silver channels; and you have glimpses of distant villages, asleep upon capes; and of stealthy rafts slipping along in the shade of the forest walls; and of white steamers vanishing around remote points. And it is all as tranquil and reposeful as dreamland, and has nothing this-worldly about it—nothing to hang a fret or a worry upon."

Today, as it was a century ago, it is possible to float down stretches of the Mississippi's still serene waters, to enjoy untouched forests and plains, and to swim and fish in water of superb quality.

Whether for its fish and wildlife, geologic, scenic, wild, historic or recreational values, the Mississippi River in Minnesota fully satisfies the criteria for recognition under the National Wild and Scenic Rivers Act.

Throughout its 330 mile course from Lake Itaska to Anoka, the river offers a great variety of scenic and recreational advantages rivaling those provided by the finest rivers in America.

From the standpoint of a wild river experience, we find Itasca State Park at the source of the Mississippi, embracing roughly 50 square miles of exceptional wilderness, forested with virgin Norway and white pine. The Chippewa National Forest adjacent to the Mississippi offers miles of clear northern water with excellent stands of pines and an abundance of wildlife. Rugged beauty can be seen near Ball Club Lake where the river becomes exceedingly tortuous, and a double stream of water encloses a series of large islands in its sinuous folds.

The early history of Minnesota and the conquest of the frontier unfold mile by mile along the riverway. Ancient Indian mounds and battlefields, early routes of exploration, pioneering trading posts and Fort Ripley, Minnesota's second oldest military post, can be found along the banks of the Mississippi. Here Zebulon Pike, Sieur DuLuth, Father Hennepin and Jonathan Carver set out upon their historic voyages.

The geologic origin of Minnesota are also traced along the Mississippi from the ancient bed of glacial Lake Aitken, where the river meanders across a broad alluvial plain to the glacial till stretching south toward St. Cloud and further downstream to the Anoka Sand Plain where fine sand through the years has formed striking dunes visible from the river.

At least 52 different species of fish have been identified in the Upper Mississippi, including Walleye Northern Pike, Yellow Perch, Smallmouth Bass, Black Crappie, and even Muskie. Wildlife of all shapes and sizes abound in the river valley, and rare and endangered species native to the North Central Region of the United States are frequently sighted there.

The entire river segment proposed for study under the National Wild and Scenic Rivers Act is draped by unparalleled scenery. Clear, tree-lined lakes, waterfalls, pine forests and valleys offer at times a quiet, at times a spectacular view of the river as it has remained untouched for centuries.

Even the community of St. Cloud, one of the most developed along this stretch of the river, still largely fits the description of a special correspondent from Harpers Magazine who wrote the following in 1859:

"St. Cloud is today of only three years growth and though it has a couple of fine hotels, a large number of stores and is tastefully laid out, it is less remarkable for its size, its rapid progress and the good quality of its components than for its natural beauties and picturesque location. It stands on a high wooded bluff, at the bend of the Mississippi, and is on all sides surrounded by trees."

Some 1700 resorts located within easy access of the river attest to the appeal this area holds for recreationists. The Mississippi offers opportunities for fishing, camping, hiking, canoeing, swimming, boating and many other water based sports.

Given the proximity of the Upper Mississippi to the Twin Cities Metropolitan area and to the Duluth-Superior ports, the demand for such recreational activities is high and rapidly growing.

But the increasing recognition of the Upper Mississippi as a high quality recreational resource constitutes a threat to the very values people admire. This is especially true in the counties nearest Minneapolis-St. Paul where the character of the river valley is expected to rapidly change from agricultural to residential-commercial. Anoka, at the southern boundary of the proposed study zone, is, according to the latest figures, the fastest growing county in the State. To get an idea of the tremendous development pressures on the river, one need look only to the figures on building permits and plats in 1973. For Wright County there were 90 such permits and 14 plats containing up to 250 lots per plat in 1973. For Stearns County there were 181 permits and 15 plats. In Sherburne County there were 160 permits and 6 plats. Existing plats alone could lead to 10,000 or more new housing units in the lower segment of the valley.

Recognizing the priceless value of the river corridor, local units of government have tried to provide protection through the only mechanism available to them—zoning. Nevertheless, with scores of villages, counties, and townships involved, the difficulties of achieving a common and effective zoning standard are obvious. Under these circumstances the accepted level of protection often becomes the lowest, rather than highest, common denominator; for the mistake of one municipality will inevitably jeopardize the best efforts of all.

The State of Minnesota, in approving the 1973 State Wild and Scenic Rivers Act, officially responded to the obvious need for action on behalf of rivers that possess outstanding natural values. The Upper Mississippi was selected as one of 16 rivers in the State for study for possible protection under the Act. At the present time, the Minnesota Department of Natural Resources is moving forward on the evaluation of the Mississippi between Anoka and St. Cloud—the segment that is under the most intensive pressure for development.

But this study in itself constitutes a formidable task for the Minnesota Department of Natural Resources, and even after the State study is complete, there are severe limitations on the ability of the Department to effectively control development along the river. Currently, there are no funds whatsoever for acquisition, and the State lacks the condemnation authority provided under the National Wild and Scenic Rivers Act. Voluntary cooperation on the part of thousands of private landowners and countless communities would be required to preserve the Mississippi under such circumstances. But without the resources to check the actions of unscrupulous developers or the ability to offer compensation to private landowners for protection of the corridor through purchase of scenic easements, it is unrealistic to expect that such a degree of cooperation could be achieved.

I have received indications from the Interior Department that they are not prepared to support S. 2443. As I understand it, they are unwilling to assign priority to a study of the Mississippi because they believe that the section of the river above St. Cloud does not need additional protecton, and the segment below St. Cloud is developed to such an extent that it does not warrant protection. There is ample evidence to dispute both conclusions.

Anyone who has travelled the Mississippi between St. Cloud and Anoka knows that it possesses natural qualities that are nearly unique in a river located so near a major metropolitan area. There are thickly forested stretches in this segment that provide a near wilderness experience for visitors. The waters team with fish, and scenic bluffs overlook the Mississippi's broad expanse. These qualities exist today, but they will not exist forever unless action is taken to protect them.

Turning to the argument that the portion of the river about St. Cloud is not in need of study, I would like to call the Committee's attention to letters from government officials in this region that I will submit for the record at the end of my statement. Officials representing the communities of Brainerd, Crow Wing County, St. Cloud, Pine River, Little Falls and Itaska County have all indicated that they feel the study is not only warranted, but necessary.

The choice is therefore not between Federal protection or State and local protection. The choice is between a major effort—utilizing the resources of Federal, State and local units of government—or a minor effort to preserve the last relatively unspoiled portions of our country's most famous and most beloved river. It is obvious that this choice warrants the careful study contemplated by S. 2443. For these reasons the Governor of Minnesota and the Department of Natural Resources, the Twin Cities Metropolitan Council, conservation groups including the American Rivers Council, the Minnesota Wildlife Federation, the National Audubon Society, the Sierra Club, the Izaak Walton League, and valley residents represented by the Central Minnesota Supporters of the Wild and Scenic Rivers Act, have all expressed their enthusiastic endorsement of this proposal. For these reasons I am hopeful that it will receive favorable consideration by the Committee.

Mr. Chairman, I should like to have included in the hearing record copies of letters which I have received from residents of the Mississippi Valley about the river, the advantages it offers, and the pressures that threaten to destroy it.

The second river I would like to discuss today is the Kettle River. Also located in Minnesota, the Kettle is essentially a wild river area with only a few scattered dwellings throughout most of its length.

Originating in Carlton County, the river winds its way southward toward the town bearing its name where it flows some 57 miles to empty into the St. Croix.

It is a spectacular area with a national reputation for its excellence as a white water canoe river. Rapids interspaced with long tranquil pools offer a challenge to even the most experienced canoeists, as well as a chance for quiet reflection.

Deep gorges, moraines, glacial outwash, plains, kettle holes and caves illustrate the glacial geology of the area.

Deer, muskrat, beaver, herons and hawks are only a few examples of the abundant wildlife that inhabit the valley. In the clear waters of the Kettle, fishing is excellent, especially for walleyes, sturgeon and small mouth bass.

From its headwaters in Carlton County, the Kettle flows in a generally north-south direction. For the first six miles the river flows through an area of glacial moraines where pools and rapids are closely interspaced. Heavy forests of aspen and birch, dotted with occasional stands of Norway and white pine, extend almost to the water's edge, enclosing the river and creating an intimate and intensely natural setting.

As the river widens, the pools and rapids become longer and deeper. Islands become a dominant feature of landscape, and the main channel soon becomes difficult to distinguish. Below the point where the Moose River joins the Kettle, the ever-widening stream flows through a valley of farmland and open woods.

At Banning State Park the Kettle flows through a gorge approximately 130 feet deep, which forms the nationally celebrated Hell's Gate Rapids. These rapids, approximately one mile in length, consist of four major drops of about five feet each. I should like to have inserted in the hearing record an article by Mike Link, resident naturalist of the Kettle River area, about the Hell's Gate. As Mr. Link describes, this breathtaking scene: "The waters from the Kettle take their time approaching the rapids, but once they reach the canyon, they take off on a terrific downhill run that seems to explode through the canyon." The enthusiasm expressed by this writer is fully justified for a river that offers rapids as exciting to the veteran canoeist as it does to the novice.

Further downstream the river passes through several short rapids and pools of up to 20 feet in depth. It widens out below this point to a series of rapids that are of moderate difficulty and very popular with canoeists.

Nearly two-thirds of the Kettle River basin is forested. There are some farms along the river and a number of small communities. From the town of Sandstone some 53 miles to the mouth of the Kettle at the St. Croix, there are only about five homes visible from the river.

A number of factors have helped to maintain the Kettle as a wild river. Past concentration of development interest in the St. Croix coupled with the Kettle's low lying character and inaccessibility have helped to discourage large-scale development. Public land ownership in the General C. C. Andrews State Forest, Banning State Park, the Sandstone Game Refuge, Chengwatan State Forest and St. Croix State Park has helped to protect the primitive values of the area. But by far the greatest contribution to the preservation of the river has been made by many private landowners who have traditionally been unwilling to sell to developers.

Nevertheless, conditions favoring future development of the Kettle are rapidly emerging. Two-thirds of the land along the Kettle is in private ownership. Taxes are escalating, and it is becoming more and more expensive for people to maintain undeveloped property. The populous Twin Cities and Twin Ports areas are exerting increased pressure for second home development, and visitor use in the major State Parks along the Kettle has tripled during the past five years. Finally, new public ownership of the St. Croix will inevitably heighten development interest in the Kettle.

Like the Upper Mississippi, the Kettle River has been designated for study under the Minnesota Wild and Scenic Rivers Act. The State study is now nearing completion, and all indications are that the Minnesota Department of Natural Resources will be prepared to move ahead with a program for the Kettle.

However, the Department of Natural Resources faces many of the same problems with the Kettle as it does with the Mississippi. In the case of rivers that are of purely State, rather than national significance, the tools available under the Minnesota Wild and Scenic Rivers Act should be adequate. But a wild river like the Kettle deserves at the very least a federal study as envisioned in my bill.

Aside from the beauty and quality of the recreational opportunities afforded by the Kettle, there is also significant national interest already established on this river by virtue of its status as a major tributary of the St. Croix. Like the Namekagon, the other principal river flowing into the St. Croix, the Kettle is unspoiled. Like the Namekagon, the quality of the waters contributed by the Kettle will have a major impact on the St. Croix. Like the Namekagon, the Kettle is within easy reach of the Twin Ports of Duluth and Superior, and it is easily accessible to the 1.8 million residents of the Twin Cities metropolitan area. But unlike the Namekagon and the St. Croix, the Kettle today exists without any form of national protection.

A study of the features of the Kettle most deserving of national protection is clearly warranted. The fact that the State study is now almost complete should not serve as a deterrent to action, bu rather as a means to expedite a federal evaluation. The work of the federal study team would be greatly facilitated by drawing upon the analysis already done by the Minnesota Department of Natural Resources. This study, I would hope, would focus primarily on what the appropriate roles of Federal, State and local government should be in providing for an effective preservation program. If the study findings reveal that the State of Minnesota has all of the financial and management tools required to avoid any destruction of the scenic and primitive values of the Kettle, the federal government's responsibilities might be confined merely to recognizing the unique nature of this resource. But if the study reveals that federal back-up protection is required to safeguard the Kettle, then an appropriate State, Federal and local government management program could be devised.

Local residents, government officials, and the Governor of Minnesota have communicated to me their strong support for this type of study. I should like to have inserted in the hearing record a sample of the letters I have received attesting to this support. During the hearing you will hear the American Rivers Council endorsement of the proposal.

One of the arguments that might be raised by some officials in Washington against federal studies of the Kettle and even of the Mississippi is that since Minnesota already has a State Scenic Rivers Act, why should the federal government become involved with these rivers? The Minnesota program was passed with two views in mind, one of protecting those rivers which are strictly of State significance, the other of providing essential interim protection for nationally significant rivers until they can be considered for inclusion in the Federal Wild and Scenic Rivers System.

Should the federal government adopt the view that rivers should be precluded from national consideration because the States have tried to provide some interim help, this policy would undoubtedly hasten the destruction of critical resources. If anything, our policy should be the reverse; we should encourage the States to act whenever possible.

At the beginning of my statement I quoted Mark Twain, who said of the Mississippi:

"And it is all as tranquil and reposeful as a dreamland, and has nothing this worldly about it—nothing to hang a fret or worry upon."

Unless we do a bit of worrying about rivers like the Mississippi and translate our concern into action, the tranquility and repose of which Twain so eloquently spoke could all too literally become but dreams and distant memories.

I hope that the Committee will act promptly and positively on studies of the Mississippi, the Kettle, and the many other deserving rivers that are under consideration today.

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Senate

By Mr. MONDALE (for himself, Mr. PACKWOOD, Mr. BENTSEN, and Mr. JAVITS):

S. 4082. A bill to amend the Social Security Act to establish a consolidated program of Federal financial assistance to encourage provision of services by the States. Referred to the Committee on Finance.

SOCIAL SERVICES AMENDMENTS OF 1974

Mr. MONDALE. Mr. President, I am pleased to introduce on behalf of myself and Senators PACKWOOD, BENTSEN, and JAVITS, legislation designed to end the long and bitter struggle over the future of the social services program, which began with the announcement of proposed new HEW regulations over 1½ years ago.

By sharply restricting eligibility, by excluding many services, by excluding use of privately contributed funds, these proposed new regulations threatened to fundamentally change the nature of the services program. In the past months, Congress has twice acted to suspend implementation of these regulations or modifications of them.

Yet, today, I am happy to be able to praise the constructive and cooperative spirit shown by the Department of Health, Education, and Welfare in working with my office and a broad range of interested groups and private agencies over a period of almost 6 months. Together, I believe we have produced a fundamentally sound bill, which would preserve State flexibility which has always characterized social services programs—and which at the same time maintains the Federal accountability which is the hallmark of a successful Federal-State partnership.

Under our bill the goals of the program are established as:

First, achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;

Second, achieving or maintaining self-sufficiency, including reduction or prevention of dependency;

Third, preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families;

Fourth, preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; or

Fifth, securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

This legislation is based on the old-fashioned notion that dignified work is better than welfare, that independence and self-sufficiency are better than life in a State-supported home.

By providing child care to children of working parents, the program can reduce the welfare rolls. By providing hot meals and home visits, the program can help the elderly to live normal lives in their own homes, and to avoid institutions which cost the taxpayer far more than these modest services. By providing treatment to alcoholics and drug addicts and special help to the handicapped, the retarded and emotionally disturbed, the program can help thousands each year gain more productive, financially independent and useful lives.

Mr. President, this is important legislation. It will govern our largest single domestic social program. I hope very much that those who have worked so hard to develop and improve this bill—and others interested and committed in the area of human services—will suggest improvements where they are needed in this legislation, and help us to achieve enactment of this bill in the present session of Congress.

Mr. President, I ask unanimous consent that the text of this legislation, a brief summary of the bill, and press release issued today by HEW Secretary Caspar Weinberger may appear in the RECORD at the conclusion of my remarks.

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

S. 4082

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Services Amendments of 1974".

SEC. 2. The Social Security Act is amended by inserting at the end thereof the following new title:

"TITLE XX—GRANTS TO STATES FOR SERVICES

"APPROPRIATION AUTHORIZED

"SEC. 2001. For the purpose of encouraging each State, as far as practicable under the conditions in that State, to furnish services directed at the goal of—

"(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

"(2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

"(3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families,

"(4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

"(5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions,

there is authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States under section 2002.

"PAYMENTS TO STATES

"SEC. 2002. (a)(1) From the sums appropriated therefor, the Secretary shall, subject to the provisions of this section and section 2003, pay to each State, for each quarter, an amount equal to 90 percent of the total expenditures during that quarter for the provision of family planning services and 75 percent of the total expenditures during that quarter for the provision of other services directed at the goal of—

"(A) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

"(B) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

"(C) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families,

"(D) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

"(E) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions,

including expenditures for administration (including planning and evaluation) and personnel training and retraining directly related to the provsion of those services. Services that are directed at these goals include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, training and related services, employment services, information, referral, and counseling services, the preparation and delivery of meals, health support services, appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts.

"(2) No payment with respect to any expenditures other than expenditures for personnel training or retraining directly related to the provision of services may be made under this section to any State for any fiscal year in excess of an amount which bears the same ratio to $2,500,000,000 as the population of that State bears to the population of the fifty States and the District of Columbia. The Secretary shall promulgate the limitation applicable to each State for each fiscal year under this paragraph prior to September 1 of the preceding fiscal year, as determined on the basis of the most recent satisfactory data available from the Department of Commerce.

"(3) No payment may be made under this section to any State with respect to any expenditure for the provision of any service to any individual unless—

"(A) the State's services program planning meets the requirements of section 2004, and

"(B) the final comprehensive annual services plan in effect when the service is provided to the individual includes the provision of that service to a category of individuals which includes that individual in the descriptions required by section 2004(2)(B) and (C) of the services to be provided under the plan and the categories of individuals to whom the services are to be provided.

The Secretary may not deny payment under this section to any State with respect to any expenditure on the ground that it is not an expenditure for the provision of a service or is not an expenditure for the provision of a service directed at a goal described in paragraph (1) of this subsection.

"(4) So much of the aggregate expenditures with respect to which payment is made under this section to any State for any fiscal year as equals 50 percent of the payment made under this section to the State for that fiscal year must be expended for the provision of services to individuals—

"(A) who are receiving aid under the plan of the State approved under part A of title IV or who are eligible to receive such aid, or

"(B) whose needs are taken into account in determining the needs of an individual who is receiving aid under the plan of the State approved under part A of title IV, or who are eligible to have their needs taken into account in determining the needs of an individual who is receiving or is eligible to receive such aid, or

"(C) with respect to whom supplemental security income benefits under title XVI or State supplementary payments, as defined in section 2007(1), are being paid, or who are eligible to have such benefits or payments paid with respect to them, or

"(D) whose income and resources are taken into account in determining the amount of supplemental security income benefits or State supplementary payments, as defined in section 2007(1), being paid with respect to an individual, or whose income and resources would be taken into account in determining the amount of such benefits or payments to be paid with respect to an individual who is eligible to have such benefits or payments paid with respect to him, or

"(E) are eligible for medical assistance under the plan of the State approved under title XIX.

"(5) No payment may be made under this section to any State with respect to any expenditure for the provision of any service to any individual who is receiving, or whose needs are taken into account in determining the needs of an individual who is receiving, aid under the plan of the State approved under part A of title IV, or with respect to whom supplemental security income benefits under title XVI or State supplementary payments, as defined in section 2007(1), are being paid, if any fee or other charge (other than a voluntary contribution) is imposed on the individual for the provision of that service.

"(6) No payment may be made under this section to any State with respect to any expenditure for the provision of any service, other than an information or referral service or a service directed at the goal of preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, to any individual who is not an individual described in paragraph (5), and who is a member of a family the monthly gross income of which exceeds—

"(A) if a fee or other charge reasonably related to income is imposed on the individual for the provision of the service, 115 percent of the median income of a family of four in the State, adjusted, in accordance with regulations prescribed by the Secretary, to take into account the size of the family, or

"(B) in any other case, the lower of—

"(i) 80 percent of the median income of a family of four in the State, or

"(ii) the median income of a family of four in the fifty States and the District of Columbia,

adjusted, in accordance with regulations prescribed by the Secretary, to take into account the size of the family.

The Secretary shall promulgate the median income of a family of four in each State and the fifty States and the District of Columbia applicable to payments with respect to expenditures in each fiscal year prior to September 1 of the preceding fiscal year.

"(7) No payment may be made under this section to any State with respect to any expenditure—

"(A) for the provision of medical or any other remedial care, other than family planning services, unless it is an integral but subordinate part of a service described in paragraph (1) of this subsection and Federal financial participation with respect to the expenditure is not available under the plan of the State approved under title XIX; or

"(B) for the purchase, construction, or major modification of any land, building or other facility, or fixed equipment; or

"(C) which is in the form of goods or services provided in kind by a private entity; or

"(D) which is made from donated private funds, unless such funds—

"(i) are transferred to the State and are under its administrative control, and

"(ii) are donated to the State without restrictions as to use, other than restrictions as to the services with respect to which the funds are to be used imposed by a donor who is not a sponsor or operator of a program to provide those services, and/or the geographic area in which the services with respect to which the contribution is used are to be provided, and

"(iii) do not revert to the donor's facility or use if the donor is other than a nonprofit organization; or

"(E) for the provision of room or board (except as provided by paragraph (11)(B)) other than room or board provided for a period of not more than six consecutive months as an integral but subordinate part of a service described in paragraph (1) of this subsection.

"(8) No payment may be made under this section with respect to any expenditure if payment is made with respect to that expenditure under section 403 or 422 of this Act.

"(9)(A) No payment may be made under this section with respect to any expenditure in connection with the provision of any child day care service, unless—

"(i) in the case of care provided in the child's home, the care meets standards established by the State which are reasonably in accord with recommended standards of national standard-setting organizations concerned with the home care of children, such as the Child Welfare League of America and the National Council of Homemaker-Home Health Aid Services; or

"(ii) in the case of care provided outside the child's home, the care meets the Federal interagency day care requirements as approved by the Department of Health, Education, and Welfare and the Office of Economic Opportunity on September 23, 1968, and in the case of care provided to a child under the age of three, there is at least one caregiver for every two children under the age of three who is responsible for the care of only those children, except as provided in subparagraph (B).

"(B) The Secretary shall submit to the President of the Senate and the Speaker of the House of Representatives, after December 31, 1976, and prior to July 1, 1977, an evaluation of the appropriateness of the requirements imposed by subparagraph (A) together with any recommendations he may have for modification of those requirements. No earlier than ninety days after the submission of that report, the Secretary may, by regulation, make such modifications in the requirements imposed by subparagraph (A) as he determines are appropriate.

"(C) The requirements imposed by this paragraph are in lieu of any requirements that would otherwise be applicable under section 522(d) of the Economic Opportunity Act of 1964 to child day care services with respect to which payment is made under this section.

"(10) No payment may be made under this section with respect to any expenditure for the provisions of any educational service which the State makes generally available to its residents without cost and without regard to their income.

"(11) No payment may be made under this section with respect to any expenditure for the provision of any service to any individual living in any hospital, skilled nursing facility, or intermediate care facility (including any such hospital or facility for mental disease or for the mentally retarded), any prison, or any foster family home except—

"(A) any expenditure for the provision of a service that (i) is provided by other than the hospital, facility, prison, or foster family home in which the individual is living, and (ii) is provided, under the State's program for the provision of the services described in paragraph (1), to individuals who are not living in a hospital, skilled nursing facility, intermediate care facility, prison, or foster family home,

"(B) any expenditure which is for the cost, in addition to the cost of basic foster care, of the provision, by a foster family home, to an individual living in that home, of a service which meets a special need of that individual, as determined under regulations prescribed by the Secretary, and

"(C) any expenditure for the provision of emergency shelter provided to a child, for not in excess of 30 days, as a protective service.

"(12) No payment may be made under this section with respect to any expenditure for the provision of cash payments as a service.

"(13) No payment may be made under this section with respect to any expenditure for the provision of any service to any individual to the extent that the provider of the service or the individual receiving the service is eligible to receive payment under title XVIII with respect to the provision of the service.

"(b)(1) Prior to the beginning of each quarter the Secretary shall estimate the amount to which a State will be entitled under this section for that quarter on the basis of a report filed by the State containing its estimate of the amount to be expended during that quarter with respect to which payment must be made under this section, together with an explanation of the bases for that estimate.

"(2) The Secretary shall then pay to the State, in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to the State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(3) Upon the making of any estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"PROGRAM REPORTING, EVALUATION, AND ADMINISTRATION REQUIREMENTS

"SEC. 2003. (a) Each State which participates in the program established by this title shall provide for the publication by the chief executive officer of the State or such other official as the laws of the State provide, within ninety days, or such longer period as the Secretary may authorize, after the end of each services program year (as established under the requirements of section 2002(a)(3)), of services program report prepared by the individual or agency designated pursuant to the requirements of section 2003(g)(1)(C) and, unless the laws of the State provide otherwise, approved by the chief executive officer which describes the extent to which the services program of the State was carried out during that year in accordance with the annual services program plan for that year and the extent to which the goals and objectives of the plan were achieved.

"(b) Each State which participates in the program established by this title shall have a program for evaluation of the State's program for the provision of the services described in section 2002(a)(1) which conforms to the description of the evaluation activities to be carried out by the State contained in its current final comprehensive annual services program plan.

"(c) Each State which participates in the program established by this title shall submit to the Secretary, and make available to the public, information concerning the services described in section 2002(a)(1) provided in the State, the categories of individuals to whom those services are provided, and such other related information as the Secretary may by regulation provide, at such times and in such form as he may by regulation provide. In establishing requirements under this subsection, the Secretary shall take into account other reporting requirements imposed under this title and other titles of this Act.

"(d) Each State which participates in the program established by this title shall make available to the public, within one hundred and eighty days, or such longer period as the Secretary may authorize, after the end of each services program year (as established under the requirements of section 2002(a)(3)), the report of an audit performed by—

"(1) a private certified public accountant or auditing firm utilizing certified public accountants, the services of which have been secured in accordance with procurement standards prescribed by the Secretary,

"(2) a publicly elected auditor utilizing certified public accountants, or

"(3) an office representing the legislature of the State utilizing certified public accountants,

of the expenditures for the provision of the services described in section 2002(a)(1) during that year which sets forth the extent to which those expenditures were in accordance with the State's final comprehensive annual services program plan (as developed under the requirements of section 2002(a)(3)), including any amendments thereto, and the extent to which the State is entitled to payment with respect to those expenditures under section 2002. So much of the report as relates to the extent to which the State is entitled to payment with respect to those expenditures under section 2002 shall be submitted to the Secretary.

"(e) Each State which participates in the program established by this title shall assure that the non-federal share of the aggregate expenditures for the provision of services during each services program year (as established under the requirements of section 2002(a)(3)) with respect to which payment is made under section 2002 is not less than the non-federal share of the aggregate expenditures for the provision of those services during the fiscal year ending June 30, 1973, or the fiscal year ending June 30, 1974, with respect to which payment was made under the plan of the State approved under title I, VI, X, XIV, or XVI, or part A of title IV, whichever is less, except that the requirements of this subsection shall not apply to any State for any services program year if the payment to the State under section 2002, for each fiscal year any part of which is included in that services program year, with respect to expenditures other than expenditures for personnel training or retraining directly related to the provision of services, equals the allotment of the State for that fiscal year under section 2002(a)(2).

"(f)(1) If the Secretary, after reasonable notice and an opportunity for a hearing to the State, finds that there is a substantial failure to comply with any of the requirements imposed by subsections (a) through (e) of this section, he shall, except as provided in paragraph (2), notify the State that further payments will not be made to the State under section 2002 until he is satisfied that there will no longer be any such failure to comply, and until he is so satisfied he shall make no further payments to the State.

"(2) The Secretary may suspend implementation of any termination of payments under paragraph (1) for such period as he determines appropriate and instead reduce the amount otherwise payable to the State under section 2002 for expenditures during that period by three percent for each of subsections (a) through (e) of this section with respect to which there was a finding of substantial noncompliance and with respect to which he is not yet satisfied that there will no longer be any such failure to comply.

"(g)(1) Each State which participates in the program established by this title shall have a plan applicable to its program for the provision of the services described in section 2002(a)(1) which—

"(A) provides that an opportunity for a fair hearing before the appropriate State agency will be granted to any individual whose claim for any service described in section 2002(a)(1) is denied or is not acted upon with reasonable promptness;

"(B) provides that the use or disclosure of information obtained in connection with administration of the State's program for the provision of the services described in section 2002(a)(1) concerning applicants for and recipients of those services will be restricted to purposes directly connected with the administration of that program, the plan of the State approved under part A of title IV, the plan of the State developed under part B of that title, the supplemental security income program established by title XVI, or the plan of the State approved under title XIX;

"(C) provides for the designation, by the chief executive officer of the State or as otherwise provided by the laws of the State, of an appropriate agency which will administer or supervise the administration of the State's program for the provision of the services described in section 2002(a)(1), including planning and evaluation;

"(D) provides that the State will, in the administration of its program for the provision of the services described in section 2002(a)(1), use such methods relating to the establishment and maintenance of personnel standards on a merit basis as are found by the Secretary to be necessary for the proper and efficient operation of the program, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, or compensation of any individual employed in accordance with such methods;

"(E) provides that no durational residency or citizenship requirement will be imposed as a condition to participation in the program of the State for the provision of the services described in section 2002(a)(1);

"(F) provides, if the State program for the provision of the services described in section 2002(a)(1) includes services to individuals living in institutions or foster homes, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions or homes which are reasonably in accord with recommended standards of national organizations concerned with standards for such institutions or homes, including standards related to admissions policies, safety, sanitation, and protection of civil rights;

"(G) provides, if the State program for the provision of the services described in section 2002(a)(1) includes child day care services, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such services which are reasonably in accord with recommended standards of national organizations concerned with standards for such services, including standards related to admissions policies for facilities providing such services, safety, sanitation, and protection of civil rights;

"(H) provides that the State's program for the provision of the services described in section 2002(a)(1) will be in effect in all political subdivisions of the State;

"(I) provides for financial participation by the State in the provision of the services described in section 2002(a)(1).

"(2) The Secretary shall approve any plan which complies with the provisions of paragraph (1).

"(h)(1) No payment may be made under section 2002 to any State which does not have a plan approved under subsection (g).

"(2) In the case of any State plan which has been approved by the Secretary under subsection (g), if the Secretary, after reasonable notice and an opportunity for a hearing to the State, finds—

"(A) that the plan no longer complies with the provisions of subsection (g)(1), or

"(B) that in the administration of the plan there is a substantial failure to comply with any such provision,

the Secretary shall, except as provided in paragraph (3), notify the State that further payments will not be made to the State under section 2002 until he is satisfied that there will no longer be any such failure to comply, and until he is so satisfied he shall make no further payments to the State.

"(3) The Secretary may suspend implementation of any termination of payments under paragraph (2) for such period as he determines appropriate and instead reduce the amount otherwise payable to the State under section 2002 for expenditures during that period by three percent for each clause of subsection (g)(1) with respect to which there is a finding of noncompliance and with respect to which he is not yet satisfied that there will no longer be any such failure to comply.

"SERVICES PROGRAM PLANNING

"Sec. 2004. A State's services program planning meets the requirements of this section if, for the purpose of assuring public participation in the development of the program for the provision of the services described in section 2002(a)(1) within the State—

"(1) the beginning of the fiscal year of either the Federal Government or the State government is established as the beginning of the State's services program year; and

"(2) at least ninety days prior to the beginning of the State's services program year, the chief executive officer of the State, or such other official as the laws of the State provide, publishes and makes generally available (as defined in regulations prescribed by the Secretary after consideration of State laws governing notice of actions by public officials) to the public a proposed comprehensive annual services program plan prepared by the individual or agency designated pursuant to the requirements of section 2003(g)(1)(C) and, unless the laws of the State provide otherwise, approved by the chief executive officer, which sets forth the State's plan for the provision of the services described in section 2002(a)(1) during that year, including—

"(A) the objectives to be achieved under the program,

"(B) the services to be provided under the program, including at least one service directed at at least one of the goals in each of the five categories of goals set forth in section 2002(a)(1) (as determined by the State), together with a definition of those services and a description of their relationship to the objectives to be achieved under the program and the goals described in section 2002(a)(1).

"(C) the categories of individuals to whom those services are to be provided, including any categories based on the income of individuals or their families,

"(D) the geographic areas in which those services are to be provided, and the nature and amounts of the services to be provided in each area,

"(E) a description of the planning, evaluation, and reporting activities to be carried out under the program,

"(F) the sources of the resources to be used to carry out the program,

"(G) a description of the organizational structure through which the program will be administered, including the extent to which public and private agencies and volunteers will be utilized in the provision of services,

"(H) a description of how the provision of services under the program will be coordinated with the plan of the State approved under part A of title IV, the plan of the State developed under part B of that title, the supplemental security income program established by title XVI, the plan of the State approved under title XIX, and other programs for the provision of related human services within the State, including the steps taken to assure maximum feasible utilization of services under these programs to meet the needs of the low income population,

"(I) the estimated expenditures under the program, including estimated expenditures with respect to each of the services to be provided, each of the categories of individuals to whom those services are to be provided, and each of the geographic areas in which those services are to be provided, and a comparison between estimated non-Federal expenditures under the program and non-Federal expenditures for the provision of the services described in section 2002(a)(1) in the State during the preceding services program year, and

"(J) a description of the steps taken, or to be taken, to assure that the needs of all residents of, and all geographic areas in, the State were taken into account in the development of the plan; and

"(3) public comment on the proposed plan is accepted for a period of at least forty-five days; and

"(4) at least forty-five days after publication of the proposed plan and prior to the beginning of the State's services program year, the chief executive officer of the State, or such other official as the laws of the State provide, publishes a final comprehensive annual services program plan prepared by the individual or agency designed pursuant to the requirements of section 2003(g)(1)(C) and, unless the laws of the State provide otherwise, approved by the chief executive officer, which sets forth the same information required to be included in the proposed plan, together with an explanation of the differences between the proposed and final plan and the reasons therefor; and

"(5) any amendment to a final comprehensive services program plan is prepared by the individual or agency designated pursuant to section 2003(g)(1)(C), approved by the chief executive officer of the State unless the laws of the State provide otherwise, and published by the chief executive officer of the State, or such other official as the laws of the State provide, as a proposed amendment on which public comment is accepted for a period of at least thirty days, and then prepared by the individual or agency designated pursuant to section 2003(g)(1)(C), approved by the chief executive officer of the State unless the laws of the State provide otherwise, and published by the chief executive officer of the State, or such other official as the laws of the State provide, as a final amendment, together with an explanation of the differences between the proposed and final amendment and the reasons therefor.

"EFFECTIVE DATE OF REGULATIONS PUBLISHED BY THE SECRETARY

"Sec. 2005. No final regulation published by the Secretary under this title shall be effective with respect to payments under section 2002 for expenditures during any quarter commencing before the beginning of the first services program year established by the State under the requirements of section 2002(a)(3) which begins at least sixty days after the publication of the final regulation.

"EVALUATION; PROGRAM ASSISTANCE

"Sec. 2006. (a) The Secretary shall provide for the continuing evaluation of State programs for the provision of the services described in section 2002(a)(1).

"(b) The Secretary shall make available to the States assistance with respect to the content of their services program, and their services program planning, reporting, administration, and evaluation.

"(c) Within six months after the close of each fiscal year, the Secretary shall submit to the Congress a report on the operation of the program established by this title during that year, including—

"(1) the evaluations carried out under subsection (a) and the results obtained therefrom, and

"(2) the assistance provided under subsection (b), during that year.

"DEFINITIONS

"Sec. 2007. For purposes of this title—

"(1) the term 'State supplementary payment' means any cash payment made by a State on a regular basis to an individual who is receiving supplemental security income benefits under title XVI or who would but for his income be eligible to receive such benefits, as assistance based on need in supplementation of such benefits, as determined by the Secretary, and

"(2) the term 'State' means the fifty States and the District of Columbia."

TECHNICAL AND CONFORMING AMENDMENTS

Sec. 3. (a)(1) Section 402(a)(5) of the Social Security Act is amended by striking out "(A)" and striking out everything after "proper and efficient operation of the plan" and inserting "; and" in lieu thereof.

(2) Section 402(a) of that Act is further amended by striking out paragraphs (13) through (15).

(3) Section 403(a)(3) of that Act is amended to read as follows:

"(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan—

"(A) 75 percent of so much of such expenditures as are for the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision, and

"(B) one-half of the remainder of such expenditures,

except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a)(1) of this Act other than services the provision of which is required by section 402(a)(19) to be included in the plan of the State; and"

(4) Section 403 of that Act is further amended by striking out subsections (e) and (f).

(5) Section 406 of that Act is amended by striking out subsection (d).

(6) Section 422(a)(1)(A)(i) of that Act is amended by striking out "the State agency designated pursuant to section 402(a)(3) to administer or supervise the administration of the plan of the State approved under part A of this title" and inserting "the agency designated pursuant to section 2003(g)(1)(C) to supervise and coordinate the administration of the State's services program" in lieu thereof.

(7) Section 422(a)(1)(A)(ii) of that Act is amended by striking out "the organizational unit in such State or local agency established pursuant to section 402(a)(15))" and inserting "a single organizational unit in such State or local agency, as the case may be," in lieu thereof.

(b) Title VI of the Social Security Act is repealed.

(c) Section 1115 of the Social Security Act is amended by—

(1) striking out "or XIX" and inserting "XIX, or XX" in lieu thereof,

(2) striking out "or 1902" in clause (a) and inserting "1902, 2002, 2003, or 2004" in lieu thereof,

(3) striking out "or 1903" in clause (b) and inserting "1903, or 2002" in lieu thereof, and

(4) inserting "or expenditures with respect to which payment shall be made under section 2002," immediately after "administration of such State plan or plans," in clause (b).

(d) Section 1116 of the Social Security Act is amended by—

(1) striking out "or XIX" in subsections (a)(1) and (b) and inserting "XIX or XX" in lieu thereof,

(2) striking out "or 1904" and inserting "1904, or 2003" in lieu thereof in subsection (a)(3), and

(3) inserting "XX," immediately after "XIX," in subsection (d).

(e) Section 1130 of the Social Security Act is repealed.

(f) Any child day care service provided under any plan of a State approved under part A, or developed under part B, of title IV of the Social Security Act must meet the requirements applicable, under subsection (a) (9) of section 2002 of the Social Security Act, as amended by this Act, to child day care services with respect to which payment is made under that section. The requirements imposed by this subsection are in lieu of any requirements that would otherwise be applicable under section 522(d) of the Economic Opportunity Act of 1964 to child day care services provided under any plan of a State approved under part A, or developed under part B, of title IV of the Social Security Act.

(g) Section 12(a) of Public Law 93-233 is amended by striking out "January 1, 1975" and inserting "July 1, 1975" in lieu thereof. Notwithstanding the provisions of section 12 (a) of Public Law 93-233, the Secretary may make any modification in any regulation described in that section if the modification is necessary to implement the provisions of this Act.

REPORT BY THE SECRETARY

SEC. 4. Prior to July 1, 1977, the Secretary shall submit to the Congress a report on the effectiveness of the program established by title XX of the Social Security Act, as amended by this Act, during calendar years 1975 and 1976, together with recomendations, if any, for improvements in that program.

DEFINITION OF SECRETARY

SEC. 5. As used in this Act and the amendments made by this Act, the term "Secretary" means, unless the context otherwise requires, the Secretary of Health, Education, and Welfare.

EFFECTIVE DATES

SEC. 6. (a)(1) The amendments made by section 2 of this Act shall be effective with respect to payments under section 2002 of the Social Security Act, as amended by this Act, for quarters commencing after June 30, 1975.

(2) Notwithstanding the provisions of section 2004 of the Social Security Act, as amended by this Act, the first services program year of each State shall begin on July 1, 1975, and end with the close of, at the option of the State—

(A) the day in the twelve month period beginning July 1, 1975, or

(B) the day in the twelve month period beginning July 1, 1976,

which is the last day of the twelve month period established by the State as its services program year under that section. Notwithstanding the provisions of subsection (h) of section 2003 of the Social Security Act, as amended by this Act, the aggregate expenditures required by that subsection with respect to the first services program year of each State shall be the amount which bears the same ratio to the amount that would otherwise be required under that subsection as the number of months in the State's first services program year bears to twelve.

(b) The amendments made by section 3 of this Act shall be effective with respect to payments under sections 403 and 603 of the Social Security Act for quarters commencing after June 30, 1975, except that the amendments made by section 3(a) shall not be effective with respect to the Commonwealth of Puerto Rico, the Virgin Islands, or Guam.

SUMMARY OF SOCIAL SERVICES ACT

I. ELIGIBILITY AND PRIORITY FOR FEDERALLY REIMBURSEABLE SOCIAL SERVICES

The bill provides special priority for recipients of AFDC and SSI and Medicaid by requiring that 50 percent of the federal social services funds used in a State be for services to such individuals and families.

The bill proposes that federal limitations on States in establishing those in a State eligible for federally assisted social services relate to the income of the individual or family, and would remove the requirement that recipients be classified as "former or potential welfare recipients." Federal matching for free services is available for people with incomes up to 80% of the median family income in a State (or the full national median, now $12,041 if less) adjusted for family size, and services at some fee up to 115% of the median income of a State. The $2.5 billion limit on federal payments will continue to apply.

II. DEFINING SOCIAL SERVICES

The goals of the program are established as:

"(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

"(2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

"(3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families,

"(4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

"(5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

Social services would be defined by the State, required to be directed at the social services goals with parameters for such definitions established by: prohibition against funding certain activities; prohibitions against reimbursing certain medical institutions for social services provided to those living in them (but other entities could provide social services to such individuals in such facilities) and; prohibitions against funding child day care not meetng standards. The draft bill also specifically names certain services as examples of social services but it is not intended to be an all inclusive list.

III. SOCIAL SERVICES PROGRAM PLANNING, REPORTING, EVALUATION, AND AUDITING

Establishes new requirements for a State to conduct a program planning process to determine the services to be provided and who is to receive such services with primary emphasis on involvement by the citizens of a State. The Governor or such other officials as the laws of the State provide is responsible for publishing the services plan for comment and approving the final services plan for the program year. The State is also required to conduct evaluations and provide required reports to HEW and the public.

Ninety days after the end of the services program year an "annual social services program report", is approved by the Governor or other official designated under State law describing the services provided during the past year.

IV. "STATE PLAN" SUBJECT TO PRIOR APPROVAL BY HEW

The State would submit to HEW approval prior to the beginning of the services program year a document which is still called a "State Plan". It would deal with State assurances regarding: fair hearings, confidentiality of information; designation of a single agency other than the Governor to supervise the administration of the States social services program; no durational residency or citizenship requirement; and designation of state authorities for establishing and maintaining standards.

V. MAINTENANCE OF EFFORT AND MATCHING PROVISIONS

The bill establishes a maintenance of effort requirement for States which requires that the non-federal share of its aggregate expenditures for the provisions of services during each services program year are not less than the aggregate expenditures for the provisions of those services during fiscal year 1973 or 1974 (whichever is less) with respect to which payment was made under the Social Security Act. The Governor is also to provide to the citizens of the State comparison of non-federal expenditures between services program years.

Percentage of matching is not changed from present law, i.e.: 75% for all services except 90% for family planning services; 75% for training and retraining.

State matching may be in cash or in-kind by the State including provisions to the State by its political subdivisions. Private funds donated to the State are allowed to be utilized for non-federal match but with certain restrictions.

VI. FEDERAL EVALUATION, RESEARCH AND DEMONSTRATIONS, PROGRAM ASSISTANCE AND HEW REPORTS TO CONGRESS

HEW is authorized to grant waivers under the proposed new title XX for Social Services to any State now under the various titles of the Social Security Act and provide reports to Congress on the results of such research and demonstration programs.

He is also to provide to Congress prior to July 1, 1977 a report on the effectiveness of the social services program along with recommendations for improvements.

VII. EFFECTIVE DATE OF REGULATIONS PUBLISHED BY THE SECRETARY OF HEW

No final federal regulations for the program would be effective in a services program year for a State if the regulations are published within 60 days of the beginning of the States services program year.

VIII. CONTINUATION OF MORATORIUM ON NEW REGULATIONS UNTIL PROPOSED EFFECTIVE NEW LEGISLATIONS

Currently the law prohibits HEW from changing social services regulations until after December 31, 1974. The draft bill would have an effective date as to the payments of social services of July 1, 1975. The bill would also continue the moratorium on HEW implementing new regulations until July 1, 1975.

HEW NEWS

HEW Secretary Caspar W. Weinberger announced his full support for the social services bill introduced today by Senator Walter F. Mondale (Minn.), together with Senators Bob Packwood (Ore.), Lloyd H. Bentsen (Tex.), and Jacob K. Javits (N.Y.). The bill was developed jointly by the Congress and HEW and has the support of numerous interested groups including the National Governors' Conference.

"We wholeheartedly endorse this bill," the Secretary said. "It is the result of six months of cooperative effort and consideration on the part of the Congress, the Department, the National Governors' Conference, and many others, as well as key organizations concerned with services for children, families, the aged, and the disabled.

"All who have worked on the amendments believe their enactment would make possible a positive new Federal-State relationship within which States could more effectively target their social services resources to meet the needs of their own people.

"The proposed amendments make the State social services program answerable primarily to the State's citizens, within broad Federal guidelines. I am convinced that this new approach can free us all to concentrate on getting services to people.

"At present a Congressional moratorium on implementation of 1973 regulations is due to expire on January 1, 1975. The amendments would extend this moratorium until July 1, the effective date of the proposed changes. This is important so that States can plan their programs effectively, and is one reason we hope for speedy enactment."

Major changes affect State program eligibility, services planning, and accountability, but not Federal funding.

Federal funding would remain unchanged, with a total of $2.5 billion authorized for allocation among the States on the basis of their population. The Federal share of a State's social services expenditures would continue to be 75 percent, except for family planning services for which the Federal share would continue to be 90 percent.

Eligibility for services would be based on income rather than on welfare-relatedness (qualifying as a "former" or "potential" recipient), but approximately 50 percent of Federal funds must be spent for people eligible for AFDC (Aid to Families with Dependent Children), SSI (Supplemental Security Income), and/or Medicaid.

Social services goals are specified in the amendments; self-support; self-sufficiency; protection for children and for adults unable to protect themselves; de-institutionalization when appropriate; and institutional placement and services within some institutions when necessary.

An Annual Comprehensive Services Plan specifying one or more services to be offered to meet each of the established goals and specifying who is to be eligible to receive services would be developed in each State by means of an open planning process with emphasis on citizen involvement. The State planning process must meet HEW requirements, but prior HEW approval is not required for the program priorities and resource allocations expressed in the comprehensive services plan.

Prior HEW approval would be required for State plans in regard to: fair hearings; Statewide applicability; merit system; confidentiality; designation of a single individual or agency to supervise program administration; designation of State standard setting and enforcement authorities for facilities offering day or residential care; and absence of any eligibility requirement based on duration of State or local residency or of U.S. citizenship.

Public Accountability to citizens of the State is insured by means of the federally required open planning process; regular reporting; independent audits; and evaluation.

1968 Federal Interagency Day Care Requirements would remain in effect (at least until 1977) with one addition: for children under three there must be one adult for every two children.

Federal evaluation and program assistance to States would be mandated, as would a July 1977 report to Congress on program effectiveness.

Other major changes include (but are not limited to):

Prohibition of Federal matching under the program for certain clearly specified expenditures, such as facilities construction and services that fall under other Federal programs;

State-option income-related fees for services furnished to persons not eligible for cash assistance;

Fiscal sanctions for noncompliance with certain Federal requirements;

A delayed effective date for any Federal regulation promulgated less than 60 days before the beginning of a State's program year;

And maintenance of State fiscal effort in regard to social services.

Mr. BENTSEN. Mr. President, it gives me particular pleasure to join with my colleagues in introducing the Social Services Amendments of 1974. Senators MONDALE, JAVITS, PACKWOOD, and I are the Senators who introduced similar legislation last year.

This bill will, I believe, terminate a long period of uncertainty about the social services program, which is so vital to the States. In February 1973, HEW proposed a series of regulations so harsh and restrictive as to deny many recipients of social services the kind of support they needed to stay off the welfare roles and maintain productive lives. The original HEW regulations would have denied the use of private funds as State matching funds, limited services to families and individuals to very low-income levels, and denied Federal support for subsistence and other maintenance items.

These regulations were followed in May by revised regulations, which represented some improvement, but which were still overly restrictive.

Later in the year, I joined with the cosponsors of the present bill to introduce a new social services measure which would have eliminated many of the deficiencies in the HEW regulations. That measure, in large part, was incorporated into H.R. 3153, which, unfortunately remains unresolved in conference.

In the meantime, the social services program has been operating on temporary extensions, with no real certainty about the future uses of funds. Now, with this bill, which has been worked out in meetings with HEW and the States, I believe we have the basic concepts necessary to approve a measure which will be acceptable and which will meet the goals of a humane and realistic social services program.

Particularly important is the provision defining eligible recipients. In the original HEW regulations, social services would have been only available to "former or potential welfare recipients" and would have been limited to families and individuals having incomes not exceeding 133 percent of the State's payment level. The present bill eliminates the requirements that recipients be judged according to their present or potential welfare status and uses instead Federal matching for free services for people with up to 80 percent of the median family income in a State or the full national median, whichever is less. In addition, services for some fee are allowed for recipients having up to 115 percent of the median income of the State.

Mr. President, the purpose of the social service program is to reduce welfare dependency by providing Federal assistance to a wide range of services intended to move recipients into self-sufficiency. The old limitations in the HEW regulations were unduly restrictive, and would have eliminated hundreds of thousands of needy persons from receiving services.

There are a wide range of services allowed in the bill, from family planning to aid to the retarded to services for drug addicts and alcoholics. The bill leaves to the States the major responsibility of naming services, but sets certain parameters and makes suggestions as to what those services can include. In that sense, it is more flexible than the previous bill we introduced, which listed specifically the range of services that would be allowed.

The social services program has for too long been plagued by uncertainty and mismanagement. This bill attempts to direct the aid where it is really needed, without being completely rigid about services the States choose to include in their State plans.

The programs that will be served are of vital importance in determining whether disadvantaged and handicapped citizens in the various States are to be given the opportunity to attain dignity and self-respect. I am hopeful that this measure will pass the Congress before adjournment this year, and I intend to work with my colleagues on the Finance Committee and in the Senate to write these concepts into law.

Mr. JAVITS. Mr. President, I am pleased to join with Senators MONDALE, PACKWOOD, and BENTSEN, in introducing the "Social Services Act of 1974," a bill to amend the Social Security Act to establish a consolidated program of Federal financial assistance to encourage provision of services by the States.

This bill embodies an agreement reached between us and Secretary Weinberger of the Department of Health, Education, and Welfare, on the future of our vital social services programs.

It marks the end of a 20-month dispute over new rules to govern the program, during which the Congress—as a result of our efforts and those of others—twice acted to bar implementation of proposed HEW regulations which we considered to be undesirable; under the Renegotiation Act Amendments of 1973, which became law on July 10, 1973, HEW is barred from issuing any regulations through this calendar year 1974.

Mr. President, this agreement could not come at a more appropriate and important time since, as the President as well as others have noted, the poor and the near poor are being hit doubly by inflation and unemployment, and nothing is more key to their survival—next to a substantial public service employment and continuation of the antipoverty programs, as I and others have proposed—than social services.

It is very reassuring that the confrontations that have characterized the past in this vital area of social services have given way to this "rapproachment" between the executive branch and those of us who have been the chief opponents of the previous HEW position.

Mr. President, I now wish to note elements of the bill which I consider to be particularly meritorious, both in terms of the national interest, and particularly the interest of children and families in New York State.

First, States would receive 7-percent Federal matching for child care and other family services at considerably higher eligibility and payment standard levels than under existing law and practice.

Under the bill, States are authorized to offer free services to persons with incomes up to 80 percent of the State median income, adjusted for family size—or up to the full national median, if lower, and services based on a fee schedule to persons with incomes up to 115 percent of the State median.

This means that States could establish eligibility standards considerably above those now applicable in New York City and New York State.

Mr. President, these provisions are particularly important at this time in that New York City and New York State are still embroiled in a dispute over just these questions in respect to child care service in the city and this bill would make possible a remedy.

The State has sought to enforce its eligibility standards, which prescribe free services up to the $6,000 gross income level and eligibility for partial reimbursement up to $11,050.

The city has been insisting on free services up to at least $9,100 for a family of four and eligibility for partial subsidies up to at least $13,000 for such a family.

If the State standards are imposed, some 5,000 children now in child care programs in the city would be ineligible for services and will have to leave the program unless of course the city and State use their general funds to continue coverage, which the State, at least does not now seem disposed to do.

At this point the matter is in the courts and the southern district of the U.S. District Court has recently restrained the State temporarily from imposing the regulations—a hearing is schedule for next week.

Were the bill we introduce today in effect, the State could receive Federal matching funds for most, if not all, of the 5,000 children currently in programs, as well as others who are now precluded from enrollment.

Mr. President, these eligibility requirements and standards would replace the current law which applies the test of whether a participant may be considered a "former" or "potential" welfare recipient and related restrictions.

I believe that the eligibility standards proposed in our bill provide a much sounder and more realistic basis upon which to determine participation and although they do not relate specifically to the question of relationship to welfare, they will in fact, be very conducive to getting people to work and off the welfare rolls in New York State and New York City where the cost of living is so high.

Second, the bill would give the States further flexibility to provide a comprehensive range of services, under a State plan to be developed through a system of public hearings, directed at the following goals: self support; self sufficiency; protective services for children and adults and services to preserve or help reunite families; preventing or reducing inappropriate institutional care by providing community and home-based care; securing referral or admission for institutional care—and providing services in institutions—where appropriate.

This will permit new efforts in innovative programs to deal with the rehabilitation of alcoholics and drug addicts and other areas of great concern.

The Secretary's principal role would be to review the State's compliance with fair hearing and other due process aspects, in arriving at funding decisions, but unlike the present situation, the Secretary would not be required to sign off on the suitability of each and every one of the particular services provided.

This seems to me to be a sound division of Federal and State responsibility similar to that set forth in the Comprehensive Employment and Training Act of 1973.

Third, under the bill, the Federal Intergency Day Care Requirements of 1968 would continue to be applicable to insure quality child care programs. The Department of Health, Education, and Welfare's previous regulations had eliminated these requirements, with a great risk that programs could become purely "custodial," that is, lacking in educational, nutritional, and other components that are so key to human development. Indeed, nothing could have been more counterproductive in terms of the purposes of the Social Security Act since programs without these essential elements can only act to perpetuate the cycle of poverty for a new generation.

Mr. President, regrettably, we were not able to obtain agreement with the Department in respect to the $2.5 billion ceiling on Federal spending on social services which was imposed as a part of the State and Local Assistance Act of 1972.

This ceiling and the allocation formula contained in the legislation has acted to prejudice greatly industrial States, like New York—indeed the very States that bear so heavily the cost of welfare and have shown the greatest interest and competency in providing social services.

For this fiscal year, New York State plans to spend all of the $220 million allocated to it under the ceiling, compared with needs in the area of an aggregate of $800 million.

Most ironic, if not tragic, is the fact that while States like New York are straitjacketed in meeting their needs other States are not even using the funds available to them under the $2.5 billion ceiling.

In that connection, the Library of Congress advises that only $1,607,445,000 of the $2.5 billion was paid to the States by the Federal Government in fiscal year 1973, with the result that States failed to use $892,555,000 of funds available under the $2.5 billion ceiling. Final data are unavailable for fiscal year 1974, but HEW budget officers say that preliminary indications are that approximately $900 million again was unused.

Mr. President, this is ridiculous in itself, but particularly outrageous as a matter of public policy at a time when the poor, hit by inflation, are in greater numbers being forced onto welfare and at the same time, again because of inflation even the $1.6 billion spent will buy considerably less in services than when the ceiling was imposed.

Mr. President, I intend to introduce next week legislation to remedy this situation, both by raising the ceiling and by providing for adequate redistribution of funds not being used by the States.

Mr. President, in closing, notwithstanding that very important item of remaining business, I believe that this bill represents a great step forward and I shall work closely with Senators MONDALE, PACKWOOD, and BENTSEN, who are members of the Senate Finance Committee which will consider this legislation, to insure that it becomes law at the very earliest moment, so that the machinery is in place to meet the very real crisis which the poor will continue to face in these difficult and threatening economic times.

Mr. President, I ask unanimous consent that a summary of the act, together with a chart for each State showing new eligibility and free payment standards, be printed at this point in the RECORD.

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

SUMMARY OF SOCIAL SERVICES ACT

I. ELIGIBILITY AND PRIORITY FOR FEDERALLY REIMBURSABLE SOCIAL SERVICES

The bill provides special priority for recipients of AFDC and SSI and Medicaid by requiring that 50 percent of the federal social services funds used in a State be for services to such individuals and families.

The bill proposes that federal limitations on States in establishing those in a State eligible for federally assisted social services relate to the income of the individual or family, and would remove the requirement that recipients be classified as "former or potential welfare recipients." Federal matching for free services is available for people with incomes up to 80% of the median family income in a State (or the full national median, now $12,041 if less) adjusted for family size, and services at some fee up to 115% of the median income of a State. The $2.5 billion limit on federal payments will continue to apply.

II. DEFINING SOCIAL SERVICES

The goals of the program are established as:

"(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

"(2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

"(3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families,

"(4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

"(5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

Social services would be defined by the State, required to be directed at the social services goals with parameters for such definitions established by: prohibition against funding certain activities; prohibitions against reimbursing certain medical institutions for social services provided to those living in them (but other entities could provide social services to such individuals in such facilities) and; prohibitions against funding child day care not meeting standards. The draft bill also specifically names certain services as examples of social services but it is not intended to be an all inclusive list.

II. SOCAL SERVCES PROGRAM, PLANNNG, REPORTING, EVALUATION, AND AUDITING

Establishes new requirements for a State to conduct a program planning process to determine the services to be provided and who is to receive such services with primary emphasis on involvement by the citizens of a State. The Governor or such other officials as the laws of the State provide is responsible for publishing the services plan for comment and approving the final services plan for the program year. The State is also required reconduct evaluations and provide required reports to HEW and the public.

Ninety days after the end of the services program year an "annual social services program report", is approved by the Governor or other official designated under State law describing the services provided during the past year.

IV. "STATE PLAN" SUBJECT TO PRIOR APPROVAL BY HEW

The State would submit to HEW approval prior to the beginning of the services program year a document which is still called a "State Plan". It would deal with State assurances regarding: fair hearings; confidentiality of information; designation of a single individual or agency other than the Governor to supervise the administration of the States social services program; no durational residency or citizenship requirement; and designation of state authorities for establishing and maintaining standards.

V. MAINTENANCE OF EFFORT AND MATCHING PROVISIONS

The bill establishes a maintenance of effort requirement for States which requires that the non-federal share of its aggregate expenditures for the provisions of services during each services program year are not less than the aggregate expenditures for the provisions of those services during fiscal year 1973 or 1974 (whichever is less) with respect to which payment was made under the Social Security Act. The Governor is also to provide to the citizens of the State comparison of non-federal expenditures between services program years.

Percentage of matching is not changed from present law, i.e.: 75% for all services except 90% for family planning services; 75% for training and retraining.

State matching may be in cash or in-kind by the State including provisions to the State by its political subdivisions. Private funds donated to the State are allowed to be utilized for non-federal match but with certain restrictions.

VI. FEDERAL EVALUATION, RESEARCH AND DEMONSTRATIONS, PROGRAM ASSISTANCE, AND HEW REPORTS TO CONGRESS

HEW is authorized to grant waivers under the proposed new title XX for Social Services to any State now under the various titles of the Social Security Act and provide reports to Congress on the results of such research and demonstration programs.

He is also to provide to Congress prior to July 1, 1977 a report on the effectiveness of the social services program along with recommendations for improvements.

VII. EFFECTIVE DATE OF REGULATIONS PUBLISHED BY THE SECRETARY OF HEW

No final federal regulations for the program would be effective in a services program year for a State if the regulations are published within 60 days of the beginning of the States services program year.

VIII. CONTINUATION OF MORATORIUM ON NEW REGULATIONS UNTIL PROPOSED EFFECTIVE NEW LEGISLATIONS

Currently the law prohibits HEW from changing social services regulations until after December 31, 1974. The draft bill would have an effective date as to the payments of social services of July 1, 1975. The bill would also continue the moratorium on HEW implementing new regulations until July 1, 1975.

State (family of 4)	80 percent of adjusted median income [1]	115 percent of adjusted median income
Alabama	$8,629	$12,404
Alaska	12,758	18,334
Arizona	10,309	14,818
Arkansas	7,774	11,175
California	10,676	15,345
Colorado	10,376	14,915
Connecticut	12,387	17,805
Delaware	10,918	15,694
District of Columbia	10,073	14,479
Florida	9,768	14,041
Georgia	9,463	13,563
Hawaii	12,135	17,444
Idaho	9,116	13,103
Illinois	11,648	16,742
Indiana	10,698	15,378
Iowa	9,947	14,298
Kansas	9,720	13,972
Kentucky	8,519	12,245
Louisiana	8,677	12,472
Maine	8,765	12,599
Maryland	11,702	16,821
Massachusetts	11,424	16,420
Michigan	11,690	16,803
Minnesota	10,784	15,501
Mississippi	7,651	10,998
Missouri	10,049	14,444
Montana	9,130	13,123
Nebraska	9,437	13,564
Nevada	11,308	16,255
New Hampshire	10,411	14,964
New Jersey	12,179	17,507
New Mexico	9,736	12,557
New York	12,767	18,352
North Carolina	8,902	12,796
North Dakota	8,542	12,278
Ohio	10,937	15,721
Oklahoma	9,014	12,957
Oregon	10,402	14,952
Pennsylvania	10,281	14,777
Rhode Island	10,483	15,066
South Carolina	8,741	12,564
South Dakota	8,391	12,062
Tennessee	8,586	12,342
Texas	9,776	14,052
Utah	9,690	13,929
Vermont	9,530	13,698
Virginia	10,028	14,441
Washington	11,139	16,011
State (family of 4)	80 percent of adjusted median income	115 percent of adjusted median income
West Virginia	$8,325	$11,966
Wisconsin	10,780	15,496
Wyoming	9,745	14,007

[1] This figure may not exceed the full national median, currently $12 041.