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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*



Observations Concerning The
Local Public Works Program

Economic Development Administration
Department of Commerce

This report summarizes information on some problems experienced in allocating funds and selecting projects to be funded, and on various alternatives proposed to deal with these problems.

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ABBREVIATIONS

- BIA - Bureau of Indian Affairs
- BLS - Bureau of Labor Statistics
- EDA - Economic Development Administration
- GAO - General Accounting Office
- SESA - State Employment Security Agency
- SMSA - Standard Metropolitan Statistical Area

CHAPTER 1

INTRODUCTION

PUBLIC WORKS EMPLOYMENT ACT

The Public Works Employment Act of 1976 (Public Law 94-369) was enacted on July 22, 1976. Title I of the act authorizes a local public works program under which the Secretary of Commerce, acting through the Economic Development Administration (EDA), makes grants to States and local governments for 100 percent of the cost of projects to provide (1) employment opportunities in areas of high unemployment through construction or renovation of useful public facilities and (2) a stimulus to the national economy. On October 1, 1976, the Congress appropriated \$2 billion to carry out the provisions of title I, up to \$10 million of which was to be used for administrative expenses.

The act requires the Secretary of Commerce to prescribe the rules, regulations, and procedures necessary to carry out the program within 30 days after enactment. Proposed regulations were published in the Federal Register on August 23, 1976, and 30 days were allowed for comments by interested parties.

The proposed regulations were inserted in the Congressional Record on August 27, 1976, and were discussed in hearings held by the Subcommittee on State, Justice, Commerce, the Judiciary of the Senate Committee on Appropriations and in joint hearings held by the Subcommittee on Economic Development and the Subcommittee on Investigations and Review of the House Committee on Public Works and Transportation. Several changes were made and on October 20, 1976, the revised regulations were published in the Federal Register.

Certain other key requirements of the act are:

- The Secretary is to make a final determination with respect to each application for a grant within 60 days after he receives such application. If the Secretary fails to make a final determination within the 60 days, the application is considered approved. The Department established October 26, 1976, as the first date that applications would be accepted.
- Each applicant is to give adequate assurances that, if funds are available, on-site labor can begin within 90 days of project approval.
- Not less than one half of 1 percent or more than 12.5 percent of all amounts appropriated to carry out title I shall be granted for projects within any one State, except that in the case of Guam, Virgin

Islands, and American Samoa not less than one half of 1 percent in the aggregate shall be granted for projects in all three jurisdictions.

--If the national unemployment rate equals or exceeds 6.5 percent for the 3 most recent consecutive months, the Secretary is required to expedite and give priority to applications from State or local governments having unemployment rates for the 3 most recent consecutive months in excess of the national unemployment rate. Seventy percent of all amounts appropriated to carry out the program is required to be granted to projects given this priority.

--After giving projects the priority just stated, the Secretary is required to give priority to applications from State or local governments having unemployment rates for for the 3 most recent consecutive months in excess of 6.5 percent, but less than the national unemployment rate. Thirty percent of all amounts appropriated to carry out the program is to be granted to projects having unemployment rates at or lower than the national rate.

PROGRAM STATUS

In selecting the projects, EDA used a scoring system that took into consideration the number of unemployed workers in the project area, the severity and duration of unemployment, the relationship of labor cost to total project cost, and the level of income prevailing in the project area.

Additional points were given if the project (1) exhibited potential for providing long-term benefits, (2) was sponsored by a general purpose unit of local government as defined in the regulations, (3) was sponsored by a special purpose unit of local government, or (4) related to existing approved plans and programs of a local community development or regional development nature, or promoted or advanced longer range plans and programs.

On December 23, 1976, the Secretary published in the Federal Register a list of about 2,000 applications for about \$2 billion of grants that had been selected by EDA. Those selected were to receive a final review before being approved for funding. EDA records showed that as of December 27, 1976, about 25,000 applications for about \$24 billion had been received, of which about 22,000 applications for about \$20 billion were scored (i.e., reviewed and assigned a numerical grading value).

OBJECTIVE OF REVIEW

During January and February 1977, GAO received requests from many Members of Congress to review the local public works program. The principal areas of concern cited in these requests related to the policies and procedures followed by EDA in allocating program resources and selecting projects for funding.

Also in January and February 1977, subcommittees 1/ in both the House and the Senate held hearings on (1) the implementation of the program and (2) proposed legislation which would amend the Public Works Employment Act of 1976 and authorize additional funds for the program. During the hearings a number of problems which occurred in the allocation of funds and the selection of projects and possible alternative solutions to these problems were discussed. Also, Department officials testifying before the subcommittees urged that any additional appropriations authorized for fiscal year 1977 be used to fund the backlog of applications on hand.

Accordingly, our review was directed toward examining some of the major problem areas and the alternatives proposed to deal with the problems.

1/ Subcommittee on Economic Development of the House Public Works and Transportation Committee and the Subcommittee on Economic Development of the Senate Committee on Public Works.

CHAPTER 2
PROCEDURES FOLLOWED
BY EDA IN ALLOCATING FUNDS AND SELECTING
PROJECTS

ALLOCATIONS MADE TO STATES

According to the Economic Development Administration, planning allocation ceilings were established for each State as follows:

- Sixty-five percent of the \$1,980 million 1/ available for distribution, or \$1,287 million, was allocated to the States on the basis of each State's share of the number of unemployed in the Nation. For example, if a State had 10 percent of the Nation's unemployed workers, it was allocated 10 percent of \$1,287 million, or \$128.7 million.
- Thirty-five percent of the \$1,980 million, or \$693 million, was set aside for those States whose unemployment rates exceeded the national unemployment rate. There were 21 such States. The distribution was made to these States by (1) determining the difference between a State's unemployment rate and the national rate, (2) multiplying the number of unemployed workers in the State by this difference to determine the number of unemployed workers within the State above that which would prevail at the comparable national unemployment rate, (3) summing the number of unemployed workers calculated in step 2 above for all States, and (4) determining a State's share of the \$693 million based on its share of the number of unemployed workers in the Nation as calculated in step 3 above.
- Adjustments to the distribution calculated above were made to insure that no State received less than one half of 1 percent (\$10 million) or more than 12.5 percent (\$250 million) of the \$2 billion, as required by section 108(a) of the act.

1/ In accordance with the appropriation act, \$10 million was deducted from the \$2 billion for administrative expenses. Also \$10 million was deducted for American Samoa, Guam, and the Virgin Islands.

Also, EDA regulations provide that 120 days after the planning allocations were made, EDA could make adjustments as necessary to achieve the purposes of the act.

On October 18, 1976, EDA announced the planning allocations for each State (see app. I) and that its regional offices would begin accepting applications for grant assistance on October 26, 1976.

In response to a request from Congressman Sidney R. Yates, GAO reviewed the allocation formula to determine whether it complies with the act and found that it was legally permissible (see app. II).

PROJECT SELECTION PROCESS

In accordance with section 108 of the act, EDA regulations provide that (1) 70 percent of all amounts appropriated to carry out the act be allocated to fund public work projects in areas of a State having an average unemployment rate for the 3 most recent months above the average national rate for the same period, and that (2) 30 percent go to projects in areas with average unemployment rates above 6.5 percent for the 3 most recent months, but less than or equal to the average national rate for the same period. Applications from areas with average unemployment rates equal to or below 6.5 percent will be approved if necessary to meet the minimum funding level required for each State.

Using a project selection formula, EDA ranked the projects falling within the 70-percent category separately from those falling within the 30-percent category for each State. Thus, projects from a State falling within the 70-percent category competed against each other and those falling within the 30-percent category competed against each other. In this way the 70-30-percent requirement was maintained nationally, although certain adjustments were necessary because in some States there were no applications from areas which fell within the 30-percent category.

On receipt of applications, Regional Office personnel are required to perform a preliminary screening review to determine whether (1) the project is eligible, (2) the application is properly prepared, and (3) all required material is provided. This review is to be completed within 5 days of the receipt of the application.

PROJECT SELECTION FORMULA

Once screened, the projects are scored according to a project selection formula which considers eight factors. Four factors are used to compute a basic score and four additional factors are considered which may increase the basic score.

The four factors making up the basic score are:

1. The number of unemployed workers residing in the project area 1/ averaged over the 3 most recent months for which data is available. This factor constitutes 30 percent of a project's basic score.2/
2. The average rate of unemployment in the project area for the 3 most recent months for which data is available at the time of application. This factor constitutes 25 percent of a project's basic score.
3. The labor intensity of the project; i.e., the relation of total labor cost to total project cost. Project's with labor costs that are less than 10 percent of the total cost are not eligible because labor costs do not make up a sufficient part of the total costs, and those with labor costs above 80 percent are not eligible because such projects are considered generally to be "leaf raking" or maintenance activities. This factor constitutes 30 percent of a project's basic score.

Projects with a labor intensity factor of 35 to 80 percent receive the maximum score for this factor and those from 10 to 34 percent are scored according to their respective ratios of total labor costs to total project costs.

4. The per capita income in the applicant's political jurisdiction. The per capita income data used is

1/ In accordance with sections 108(e) and (f) of the act, the project area is defined without regard to political boundaries and may be a portion of a political jurisdiction or may include adjoining areas.

2/ Generally, basic scores were calculated on the basis of the relative ranking of a factor. See page 17 for an example explaining how the score for the number of unemployed was determined.

that obtained for calendar year 1972 by the Census Bureau for the Department of the Treasury's General Revenue Sharing Program. This factor constitutes 15 percent of a project's basic score.

A project's basic score will be increased if the project meets one or more of the following criteria.

--The project will provide long term benefits to the community. A project's basic score will be increased by 10 percent if it involves the construction of or complete renovation of a public facility and by 5 percent if it is to either (1) provide new recreational or cultural facilities or (2) rehabilitate existing facilities. The basic score is not increased for projects involving repairs which do not constitute major renovations.

--The project is sponsored by a local government unit. A project's basic score is increased by 5 percent if it is sponsored by either a general purpose unit of local government or a school district and by 3 percent if it is sponsored by a special purpose unit of local government.

--The project relates to an existing approved plan for the community or region in which it is located. A project's basic score is increased by 5 percent if it meets this criteria.

FINAL SELECTION

The data for projects selected for processing was entered into the computer by the regional offices and ranked according to the prescribed formula. Once ranked, EDA regional office teams, made up of specialists such as engineers and environmentalists, made indepth reviews of the highest ranked projects--an estimated 3,500 such reviews were made.

The final selection of projects was made by a selection committee composed of EDA headquarters and regional officials. The committee's selection of projects from each State was based primarily on the ranking of projects within the 70-percent category and within the 30-percent category. However, projects which ranked below others were selected in many cases to avoid undue concentration of funds in a particular county or city.

To avoid concentrating funds in a particular county or city, EDA established a so-called "benchmark" based on the relationship between the number of unemployed workers in a jurisdiction and the number of unemployed workers in the State or county. That is, if 10 percent of a State's unemployed workers resided in a county, projects would be selected according to their rank until the level of grants awarded in that county exceeded 10 percent of the State's planning allocation. Once the benchmark was exceeded, no additional projects would normally be approved for that county.

The projects selected were published in the Federal Register on December 23, 1976, at which time the applicants were put on notice that selection did not constitute final approval as each project was subject to further review to insure that it complied with all provisions of the act.

CHAPTER 3

PROBLEMS AND COMPLAINTS--WHAT CHANGES CAN

BE MADE TO PROGRAM BEFORE

ADDITIONAL FUNDING IS MADE AVAILABLE

FOR FISCAL YEAR 1977

In oversight hearings on the implementation of the local public works program, the House and Senate Subcommittees considered proposed legislation which would authorize additional appropriations for fiscal year 1977. A major purpose of the hearings was to determine what problems occurred in the allocation of funds and selection of projects, and what could be done to resolve the problems before any additional funds are made available for fiscal year 1977.

In testifying before the Subcommittees, the Assistant Secretary for Economic Development suggested that it may be preferable that any new authorizations and appropriations for the program make maximum use of the backlog of applications. Of the 22,000 applications scored and ranked by EDA, about 20,000--totaling about \$18 billion--remain unfunded. There are a number of actions which could be taken to resolve the major problems in allocating funds and selecting projects which would not require the resubmission of applications.

THE 70-30 PROVISION

One of the major criticisms of the project selection process is that many of the projects selected for funding were not from the areas with the severest unemployment problems. One of the major reasons for this is that under the 70-30 provision, 30 percent of the funds had to be set aside for project areas having unemployment rates at or below the national rate.

Because the amount of funds applied for far exceeded the funds available, there were a great many unfunded projects in the 70-percent category that were located in areas that had higher unemployment rates than those that were funded in the 30-percent category. This is shown in the schedule on page 11 for the States comprising EDA's Atlantic Region. (The Atlantic Region States received about 38 percent of the total allocation.) In reviewing the schedule it should be remembered that projects in areas with the highest unemployment rates would not necessarily have been selected if the 30 percent requirement

was eliminated because of the other factors considered in the ranking formula and because of the benchmark procedure used to avoid undue concentration.

On February 8, 1977, the Director, Office of Public Works, EDA, transmitted three documents to the House and Senate Subcommittees. (See app. III.) One sets forth EDA's and the Administration's policy determinations and proposals; another discusses the basis for the policy determinations and proposals; and the third is a draft of legislative changes to implement the proposals. EDA is presently testing the effect the implementation of these proposals will have on the applications received from six States.

RANGE OF UNEMPLOYMENT RATES OF
LOCAL PUBLIC WORKS PROJECTS IN
EDA'S ATLANTIC REGION BY PROJECT CATEGORY

11

State	70 Percent Category				30 Percent Category			
	Selected		Not Selected		Selected		Not Selected	
	Number of projects	Range of unemployment rates	Number of projects	Range of unemployment rates	Number of projects	Range of unemployment rates	Number of projects	Range of unemployment rates
Connecticut	22	10.8-15.3	293	8.4-14.7	11	7.0- 7.6	19	6.6- 7.6
District of Columbia	7	7.5- 7.5	1	7.5- 7.5	None	-	None	-
Delaware	9	7.6-11.3	29	7.6-11.3	7	7.0- 7.5	8	6.3- 7.3
Massachusetts	27	7.9-26.9	296	7.6-17.8	10	7.4- 7.7	93	5.3- 7.6
Maryland	20	8.2-12.7	61	7.5-14.1	5	7.3- 7.7	46	6.6- 7.7
Maine	10	7.4-15.9 ^{a/}	93	7.4-17.4 ^{a/}	5	7.2- 7.7	22	6.6- 7.7
New Hampshire	10	7.8-11.6	5	7.9- 9.9	2	6.9- 7.0	None	-
New Jersey	34	11.4-19.2	914	7.4-16.7	24	6.6- 7.8	69	6.6- 7.8
New York	105	8.4-13.2 ^{a/}	1,271	7.5-13.2 ^{a/}	75	6.6- 7.7	186	6.6- 7.8
Pennsylvania	43	8.3-16.6	1,065	7.4-16.6	25	7.2- 7.6	229	6.6- 7.6
Puerto Rico	122	13.3-52.7	504	9.4-44.0	None	-	None	-
Rhode Island	12	10.1-11.9	83	10.0-11.9	1	7.6- 7.6	5	7.1- 7.6
Virginia	9	8.9-21.1	140	7.7-21.1	4	7.3- 7.7	94	6.6- 7.7
Virgin Islands	2	8.9- 8.9	2	8.9- 8.9	None	-	None	-
Vermont	19	7.9-12.3	44	7.7-11.6	5	7.0- 7.5	9	6.7- 7.0
West Virginia	11	8.0-21.1	56	7.6-21.1	9	7.1- 7.5	25	6.7- 7.5

^{a/}Projects in areas reporting extremely high unemployment rates which GAO considered unrepresentative were eliminated as follows:

State	70 Percent Category			
	Selected		Not Selected	
	Number of projects	Unemployment rate	Number of projects	Unemployment rate
Maine	4	48.5	17 (one applicant)	48.5
Maine	None	-	3	46.5
New York	1	60.0	2	60.0

Alternatives proposed

One EDA and Administration proposal is to delete section 108(d) of the act which required the 70-30 percent breakout of funds. This alternative would be the most effective in making sure that those project areas with the severest unemployment problems receive assistance since they would be selected on the basis of their relative ranking.

Another alternative is to reduce the percent of funds that would go to areas with unemployment rates below the national rate. Legislation has been introduced in the Senate (S. 427) that would amend the act to require a 85-15-percent split; this provision would reduce by half the amount of funds available for areas with unemployment rates below the national rate. Nevertheless, with an unfunded backlog of about 16,000 applications for about \$14.8 billion in grants in the 70-percent category, this method would not provide the fullest assistance possible to those areas with the greatest need in terms of unemployment.

PROBLEMS WITH UNEMPLOYMENT DATA

Numerous, varied complaints have been raised about the labor statistics available for use in this program. Some of these complaints stem from the methodology used by the Bureau of Labor Statistics (BLS) in developing the data. GAO issued a report to the Congress in May 1971¹/ on the use of such data for EDA programs.

BLS is taking action to deal with some of the problems concerning the methodology used in compiling unemployment data; however, these actions are long range and therefore will have no effect on the applications to be funded during fiscal year 1977. For this reason, the problems relating to the methodology used by BLS are not addressed in this report.

¹/More Reliable Data Needed as a Basis for Providing Federal Assistance to Economically Distressed Areas (B-133782, May 10, 1971).

Other complaints stemmed from gerrymandering project area boundaries from which the unemployment data was collected and the use of different sources and reporting periods for the data. Another related problem resulted from EDA's use of logarithms rather than the absolute number of unemployed workers in its project selection formula.

Gerrymandering of project areas

In accordance with the act, an applicant may include the unemployment data for its own jurisdiction as well as adjoining areas from which the labor force would be drawn. Since the number of unemployed and the rate of unemployment account for 30 and 25 percent of a project's basic score, respectively, there is a significant incentive for jurisdictions to gerrymander their project areas to increase these factors.

According to an EDA official, internal guidelines were established which roughly specified the maximum project area size that EDA would accept. A Standard Metropolitan Statistical Area (SMSA)^{1/}, a labor market area^{2/}, or a county would normally be acceptable. For those project areas which crossed boundaries of SMSAs, labor market areas, or counties, the maximum size acceptable was generally limited to an area which would not include more unemployed workers than 100 times the anticipated number of workers to be employed in constructing the project.

Gerrymandering resulted in some areas being assisted that had less severe unemployment problems than others that were not assisted. Another result of gerrymandering is that in some cases a relatively wealthy suburb was selected on the basis of the unemployment data of an adjoining city while the city itself received little or no assistance.

^{1/}Generally defined as a county or group of contiguous counties which contain at least one city of 50,000 persons or more or twin cities with a combined population of at least 50,000.

^{2/}BLS defines a labor market area as one or more counties wherein 85 percent of the labor force lives and works.

For example, the City of Greenwich Connecticut, by including the unemployment statistics of a neighboring city, reported an unemployment rate of 7 percent whereas Greenwich's rate, which when taken by itself, was less than 4 percent. The city's project--costing an estimated \$4.2 million, or about 10 percent of the total grant funds allocated to Connecticut--was selected although Greenwich had the second highest per capita income of any applicant in the State--\$8,283.

The Assistant Secretary for Economic Development, in his testimony to the subcommittees, stated that:

"* * * relatively affluent areas within commuting distance of economically distressed cities were * * * able to include the cities in their project areas. Consequently, the projects submitted by such places often scored higher than city projects, despite our efforts to avoid such situations by including the income level of the applicant's jurisdiction as a factor in the scoring formula."

"Although the unemployed residents of the nearby cities are likely to obtain some of the construction jobs generated by such projects, the long-term benefits of the project will in many cases accrue to residents of the jurisdiction in which the project is located. Moreover, funding such projects can result in assisting jurisdictions that are better able to finance public works improvements on their own."

Alternatives proposed

EDA and the Administration are proposing that sections 108(a) and (f) of the act, which permitted gerrymandering, be eliminated. They propose instead that unemployment data be developed on the basis of the following project areas:

1. If the project is to be located in a city with 50,000 or more residents, then the maximum unemployment data that could be reported by the applicant would be limited to the unemployed workers residing in the city.
2. For projects that are not located in such a city, the unemployment data will be based on the entire county, except that the unemployment data of any city of 50,000 or more residents that is located in the county would be deducted.

Although this alternative may help solve some of the problems caused by gerrymandering, it would not be a complete solution. This is because the cities and towns below 50,000 population would not report their own unemployment data but rather the data for the entire county. In some counties, small cities and towns could report higher unemployment numbers than cities of over 50,000 within those counties.

Further, this alternative would make no distinction in the severity of unemployment among the communities in a county other than those with 50,000 or more residents since all but the major cities would report the same number of unemployed workers and unemployment rate. Therefore, if the project selection formula is revised as proposed by EDA to consider only the number of unemployed, the unemployment rate, the per capita income, and the type of government unit sponsoring the project (see p. 23 for a more detailed description of the formula), within individual counties the only variable for projects submitted by the same types of government unit in communities with under 50,000 residents will be the per capita income. This would result in selecting many projects based on per capita income rather than on severity of unemployment problems to which the program is directed.

Also, smaller communities generally have lower per capita incomes (as well as lower living costs). Because of this, in those counties with applications received for several communities with under 50,000 residents, the projects of the smaller communities would most likely have the highest scores and therefore have the best chance of being selected.

Another alternative proposed by representatives of various government units and organizations is to require communities to report the actual unemployment statistics in their own jurisdictions only. An EDA official told us that a disadvantage of this proposal is that it would require using more than one source of unemployment data. This is because BLS only compiles data from counties and cities with populations of 50,000 or over. Another possible disadvantage of this proposal is that rural areas might not receive a fair share of assistance because although unemployment numbers and rates in rural communities are generally low, many suffer from severe underemployment problems.^{1/} Separate

^{1/}According to the Department of Labor, underemployed individuals include those who are involuntarily working less than full time, working below their skill capacity, or working full time for less than poverty-level incomes.

allocations could be made for rural and urban communities, but this might further complicate an already complex allocation procedure.

Unemployment data reported was
from different sources and for
different periods

For purposes of the act, unemployment data for the 3 most recent consecutive months are to be used. The latest unemployment data from the two primary sources used for this data--BLS and the State Employment Security Agencies (SESAs)--were not seasonally adjusted and usually based on different reporting periods. The BLS data used was normally for April, May, and June 1976 while the SESA data used was more current--usually July, August, and September 1976. Because of this, seasonal employment patterns affected the unemployment data of some applicants.

In many parts of the Nation employment tends to be higher in the summer months than in the other months of the year. This is particularly true in agricultural areas or areas with important tourist industries. Applicants from such areas reporting unemployment based on summer months would report lower figures than would be the case if seasonally adjusted data were available.

Such differences in the unemployment data could affect a project's ranking. Also, slight variances in the unemployment rates could mean the difference of a project falling in the top of the 30 percent category where it had a good chance for selection or in the bottom of the 70 percent category where, in many States, its chances for selection would be remote.

In accordance with the Office of Management and Budget Circular A-46, EDA required applicants to use BLS unemployment data when it was available. Applicants designating project areas for which BLS unemployment data was not available were to use SESA data. Those applicants using SESA data, if from an area affected by summer employment, would then generally report lower unemployment numbers and rates.

Alternatives proposed

EDA and the Administration are proposing that section 108(c) of the act be amended to provide that applicants use the latest available (and uniform) 12-month average unemployment data from BLS and, for Indian tribes, the Department of the Interior's Bureau of Indian Affairs (BIA). This would eliminate the seasonal employment effects;

however, data for a 12-month period does not reflect the cyclical unemployment trends to which the program is directed as closely as does a 3-month period.

Another alternative discussed in congressional hearings is that all applicants be required to use the same 3-month period for reporting unemployment data. Although the use of a uniform 3-month period would not be as effective in dealing with seasonal employment variations as a 12-month period, it would appear to be an improvement over the use of different 3-month periods.

Effect of logarithms
on scoring

Another problem frequently mentioned was that many large cities, where unemployment problems are reported to be the most severe, received little or no funds under the program. Reportedly, nearly half of the Nation's 100 largest cities--including Miami, Florida; Pittsburgh, Pennsylvania; Syracuse, New York; and Seattle, Washington--are in this category. One of the contributing factors to this situation was that EDA converted the absolute number of unemployed workers residing in project areas to logarithms, which had the effect of reducing the relative importance of the unemployment scores of the large urban areas.

In developing the scoring factors in the project selection formula for the number of unemployed in a project area, EDA officials were of the opinion that if this factor were based on the absolute number of unemployed workers, it would favor large urban areas and result in a concentration of projects. Accordingly, a decision was made to use logarithms to facilitate competition among project areas of various sizes.

The effect the use of logarithms would have on scoring three projects used as examples is illustrated below.

	Number unemployed	Unemployment score using logarithms (note a)			Unemployment score using absolute numbers (note a)	
		Logarithm	Scaled scores	Final scores	Scaled scores	Final scores
Project A	312,890	5.4953	100.0	30.0	100.0	30.0
Project B	249,200	5.3965	98.1	29.4	79.6	23.8
Project C	17,930	4.2536	77.4	23.1	5.7	1.7

a/Scaled scores are determined by treating the largest number as 100 and each of the others as a percentage of the largest; i.e., using logarithms, projects B and C would be scaled as 98.1 and 77.4, respectively, and without logarithms they would be 79.6 and 5.7, respectively. The scaled scores are then multiplied by the 30-percent weight given this factor in the formula to arrive at the final unemployment score.

Using logarithms, the score for project A is only 1.3 times that of project C, whereas in absolute numbers it is over 17 times as great. The use of logarithms then would make project C competitive with project A, depending on the remaining factors considered in the project selection formula.

Alternative proposed

An EDA official told us that although EDA plans to eliminate the use of logarithms, no decision has yet been reached on whether it will use the absolute unemployment numbers or use some other mathematical technique in place of the logarithms.

Indian unemployment data

Indian tribes applying for grants used unemployment data supplied by BIA because BLS and SESA do not collect data on Indian reservations. This created a problem, however, because BIA's unemployment data for Indian reservations is calculated on different bases than are used by BLS and SESA.

In testifying in House and Senate hearings, the Assistant Secretary for Economic Development stated that although the rates of unemployment are significantly higher in Indian communities, the differences in the bases used by BIA in compiling unemployment data appear to magnify the gap. He said that because of this, projects submitted by Indian tribes received such high scores on the basis of unemployment rates that they generally ranked higher than those of other areas.

Indian projects selected for grant awards nationally totaled about \$61 million, or 3 percent of the \$2 billion appropriated for fiscal year 1977. In certain States, however, Indian tribes were awarded an extremely large share of the total State allocation in proportion to their numbers. For example, projects for Indian tribes reportedly accounted for about 70 and 50 percent of the funds allocated to the States of South Dakota and Montana, respectively.

The major differences between BIA unemployment data and SESA data were in the definition of unemployment and the reporting periods used. BLS unemployment data includes all those 16 years of age and over who are actively seeking work, are available for work, and have no earnings. BIA unemployment data can include all those not working whether they are seeking work or not--including students and housewives--as well as those people already employed who desire a different job.

According to EDA officials, the BIA unemployment data used covered different time periods than either BLS or SESA data.

Alternative proposed

Because BIA unemployment data is not comparable to non-Indian data, EDA and the Administration are proposing that the act be amended to require a separate fund for Indians of up to 2.5 percent of the amount appropriated. Proposed legislation (H.R. 11 and S. 427) also provides for a 2.5 percent fund for Indian tribes. According to EDA, the fund would allow Indian projects to compete independently of all other projects in the Nation.

INTERRELATIONSHIPS OF VARIOUS PROPOSALS

When contemplating possible changes to the local public works program, the interrelationships of the various factors involved in the program must be considered. For example, if the proposal is adopted to eliminate gerrymandering of project areas by requiring each applicant-township, city, county, etc.--to use unemployment data covering only the applicant's jurisdiction, then the proposal to require that BLS unemployment data be used exclusively would not be feasible because BLS does not collect unemployment data for all small towns and cities in the Nation.

This also holds true for so-called "pockets of poverty" in inner cities. If these areas are allowed to submit their own applications for assistance, then SESA unemployment data must be used because BLS generally does not collect unemployment data for sections of cities.

RELATION OF GRANT AMOUNTS TO COMMUNITY SIZE

Although EDA regulations impose a \$5 million limitation on grants for individual projects, which may be waived under certain circumstances, no provision is made to relate the amount of the grants awarded to the population or to the number of unemployed workers residing in small communities. This has resulted in criticism about a number of small communities being selected to receive what are considered inordinately large grants.

A frequently cited example is the town of Mound Bayou, Mississippi which, with a 1973 population of about 2,200, received about 50 percent of the State's total allocation of \$10 million. There were a number of other cases where small communities had large projects selected for funding.

As described on pages 7 and 8, EDA selected projects according to their ranking until a community's benchmark was exceeded. Generally, the benchmarks for counties and large urban areas were determined by applying the percent of the State's unemployed workers residing in a county or urban area to the State's planning allocation. (In those instances where unemployment data was not available, population data was used.) For example, if a county has 5 percent of the State's unemployed, its benchmark would be 5 percent of the State's allocation. County benchmarks were subdivided among the smaller urban areas and towns on the basis of the relationship of unemployment in these areas to the county as a whole. The benchmark procedure does not appear to work satisfactorily for small communities. This is because a city or a town would have one project selected if it scored high enough without regard to its benchmark.

For example, although the City of Norton, Massachusetts, had a benchmark of only \$19,065 (about 0.04 percent of the State's allocation of \$52 million), EDA selected the \$2 million project it applied for on the basis of the project's ranking. Similarly, EDA selected a \$4.5 million project applied for by the City of Thomaston, Connecticut, which had a benchmark of \$99,553 (about 0.2 percent of the State's allocation of \$48 million).

Had benchmarks been adhered to more closely, more communities would have been able to participate in the program. For example, in the State of Massachusetts the cumulative benchmark amounts for the 33 communities selected to receive grants totaled about \$14.5 million, whereas the grants to be awarded these communities totaled about \$52.5 million, a difference of \$38 million. In the State of Connecticut the cumulative benchmark amounts for 29 communities that were selected to receive grants totaled about \$20.7 million, whereas the grants to be awarded these communities totaled about \$48.4 million, a difference of \$27.7 million.

EDA and the Administration have not proposed any changes to deal with this problem. EDA officials told us that although they were studying the matter, there is a question of whether it would be fair to impose a grant limitation on small communities on the applications they have already submitted.

During congressional hearings, an EDA regional official suggested that one way to deal with this problem is to multiply the benchmarks of small communities by a given factor and require that grants be limited to this amount. This proposal could be made more flexible by varying the factor according to the population of the community and by granting waivers, where justified, similar to what is done for the \$5 million limitation. Another somewhat similar proposal discussed in congressional hearings would be to set a maximum dollar amount based on a community's population.

PRIORITIES OF APPLICANTS WERE
GENERALLY NOT CONSIDERED IN
SELECTING PROJECTS

Under procedures followed in selecting projects, EDA was generally unable to give consideration to the applicants' priorities. The only instances in which an applicant's priorities could be considered was when it had two or more projects with tie scores.

An official of EDA stated that in the case of tie scores among a single applicant's projects, EDA adhered to that applicant's priorities whenever they were known. He said that if EDA had no knowledge of the applicants' priorities, that project or combination of projects that exceeded the area's benchmark by the least amount was selected. For tied projects submitted by different applicants from the same area, EDA selected the project considered most desirable in its own judgment.

The overall selection process resulted in a number of complaints from applicants that projects were selected which they considered less important than others.

Even in instances where applicants had projects with tie scores there were complaints that EDA failed to consider the applicants' priorities. For example, a representative of the County of San Diego, California, complained that of 25 projects for which grant applications were submitted, the project selected was ranked 23rd on the county's priority list. Further, of the 10 county projects that had tie scores, there were 8 that ranked above the one selected. The representative said that a county offer to provide EDA with information on the priorities of the projects was rejected.

An EDA official said that for those applicants that had projects with tie scores, substitutions for selected

projects will be permitted but that no additional funds will be made available to finance any additional costs involved.

Another problem which makes it difficult to give consideration to local priorities is that two or more applicants from the same community may submit grant applications. For example, a city government as well as another governmental unit in the same city, such as a school or fire district, could submit applications. In such a case there may be conflicting priorities.

Alternatives proposed

EDA and the Administration are proposing that applicants be requested to set priorities for all projects and that wherever possible, only priority projects be funded. In addition, they are proposing that priority be given to projects sponsored by general purpose units of local governments over all other units of governments, but that a chief executive of the general purpose government unit could sponsor a project of a special purpose government unit if it was a local priority.

AGENCY ACTIONS TAKEN TO SIMPLIFY THE REGULATIONS

A number of complaints have been voiced about the complexities of EDA's regulations and operating procedures for the program. A major concern is whether the complexities permitted individuals who were most familiar with Federal grant programs and requirements to prepare grant applications in a way that would make them more likely to be approved. In other words, "grantsmanship" might be a key factor in enhancing a project's chances of being selected.

In recognition of this problem, EDA and the Administration are proposing that there be a clarification and simplification of the program so that it could be more easily understood. To help avoid confusion and disagreement of the major objective of the act, they are proposing that the act be amended to include a statement of purpose. Further, they indicated that some of the proposals they made, such as the standardization of sources of unemployment data and the elimination of gerrymandered project areas, would help simplify the program.

Another major change they are proposing to simplify the program is to revise the project selection formula by eliminating the factors concerning the labor intensity and long-term benefits of the projects as well as their relationship to local plans. The remaining factors would be handled as described in the following.

1. The project area would be redefined and a new unemployment rate computed for the new area. This factor would be worth 40 points.
2. The number of unemployed in the redefined project area would be worth 40 points.
3. The per capita income factor would be deemphasized on the basis that it does not adequately consider the cost of living in the area. This factor would be worth 10 points.
4. The government units categorized as general purpose units and special purpose units would be changed, with school districts no longer classified as a general purpose unit. General purpose units would receive 10 points, special purpose units would receive 5 points, and States would not receive any points.

APPENDIX I

APPENDIX I

PLANNING ALLOCATIONS
ANNOUNCED BY EDA ON OCTOBER 18, 1976

<u>EDA Region</u>	<u>Amount</u>	<u>EDA Region</u>	<u>Amount</u>
<u>State</u>	<u>(in millions)</u>	<u>State</u>	<u>(in millions)</u>
<u>Atlantic:</u>		<u>Southwestern:</u>	
Connecticut	\$ 48.422	Arkansas	\$ 10.000
Delaware	10.000	Louisiana	25.468
District of Columbia	10.000	New Mexico	10.000
Maine	10.000	Oklahoma	16.493
Maryland	20.167	Texas	<u>55.592</u>
Massachusetts	52.323		
New Hampshire	10.000	Total	<u>\$117.553</u>
New Jersey	100.038	<u>Rocky Mountain:</u>	
New York	232.910	Colorado	\$ 12.612
Pennsylvania	83.385	Iowa	11.890
Puerto Rico	127.481	Kansas	10.000
Rhode Island	16.452	Missouri	19.497
Vermont	10.000	Montana	10.000
Virginia	21.847	Nebraska	10.000
Virgin Islands (note a)	4.000	North Dakota	10.000
West Virginia	<u>10.000</u>	South Dakota	10.000
		Utah	10.000
Total	<u>\$767.025</u>	Wyoming	<u>10.000</u>
		Total	<u>\$113.999</u>
<u>Southeastern:</u>		<u>Western:</u>	
Alabama	\$ 18.439	Alaska	\$ 10.000
Florida	136.683	American Samoa (note a)	3.000
Georgia	24.836	Arizona	13.214
Kentucky	15.228	California	250.000
Mississippi	10.000	Guam (note a)	3.000
North Carolina	28.039	Hawaii	10.000
South Carolina	13.454	Idaho	10.000
Tennessee	<u>22.509</u>	Nevada	10.000
		Oregon	29.491
Total	<u>\$269.188</u>	Washington	<u>40.156</u>
<u>Midwestern:</u>		Total	<u>\$378.861</u>
Illinois	\$ 64.110		
Indiana	22.803		
Michigan	158.311		
Minnesota	16.831		
Ohio	59.578		
Wisconsin	<u>21.741</u>		
Total	<u>\$343.374</u>		

a. In accordance with the act, American Samoa, Guam, and the Virgin Islands received a total of \$10 million.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D. C. 20548

IN REPLY
REFER TO: B-126652

February 16, 1977

The Honorable Sidney R. Yates
House of Representatives

Dear Mr. Yates:

This refers to your letter enclosing for our review copies of letters from you to several executive branch officials concerning the manner in which the Department of Commerce was planning to distribute funds appropriated to carry out the Local Public Works Capital Development Act of 1976, Pub. L. No. 94-369 (July 22, 1976), title I, 90 Stat. 999, 42 U.S.C.A. §§ 6701 et seq. You questioned whether the formula by which the Economic Development Administration allocated funds to the States as planning ceilings for project approval within those States conflicted with the Act. You asked that we review this matter to determine if the formula adopted complies with the intent of the law.

Your letters to the executive branch officials expressed doubts as to the legality of the administrative decision to allocate title I funds on the basis of unemployment statistics for States as opposed to "project areas." In addition, you objected to the Commerce Department's adoption of an allocation formula which gives weight to both rates of unemployment and numerical unemployment figures, as follows:

"Subject to program administrative costs and statutory minimum and maximum amounts allocated to individual States by the legislation, 65 percent of the funds will be set aside as planning ceilings for individual States based on the share of unemployed workers residing in the State of the total national unemployed; 35 percent of the funds will be set aside as planning ceilings to individual States based on the relative severity of unemployment for each State above the national unemployment rate." (See 13 C.F.R. § 316.8(b), set forth at 41 Fed. Reg. 46421 (October 20, 1976).)

You expressed the view that the allocation formula should be based solely on relative volume of unemployment.

Based on our analysis of the relevant statutory provisions, set forth below, it is our opinion that neither the State allocation framework nor the "65-35" formula adopted by the Commerce Department constitutes an abuse of administrative discretion under the Act.

In an effort to stimulate employment, the Congress enacted title I of Pub. L. No. 94-369, which provides for grants to State or local governments for local public works projects. Title I authorizes the Secretary of Commerce to make grants for 100 percent Federal funding for construction, renovation, or other improvement of local public works projects, including projects for which Federal assistance is authorized by provisions of law other than the Act; grants increasing the Federal contribution to a public works project for which Federal financial assistance is authorized by other provisions of law where such Federal assistance is immediately available, but construction has not been initiated because of lack of funding for the non-Federal share; and grants for all or any portion of either the State or local share (but not both) of the cost for any public works project authorized by any State or local law. See generally, sections 103-105 of the Act, 42 U.S.C.A. §§ 6702-6704.

Section 108 of the Act, 42 U.S.C.A. § 6707, sets forth criteria for grant allocations and priorities. Subsection 108(a) provides:

"Not less than one-half of 1 per centum or more than 12 1/2 per centum of all amounts appropriated to carry out this title shall be granted under this Act for local public works projects within any one State, except that in the case of Guam, Virgin Islands, and American Samoa, not less than one-half of 1 per centum in the aggregate shall be granted for such projects in all three of these jurisdictions."

Subsection 108(d) provides that:

"Seventy per centum of all amounts appropriated to carry out this Act shall be granted for public works projects submitted by State or local governments given priority under clause (1) of the first sentence of subsection (c) of this section. The remaining 30 per centum shall be available for public works projects submitted by State or local governments in other classifications of priority."

Subsection 108(c) provides in pertinent part that:

"In making grants under this Act, if for the three most recent consecutive months, the national unemployment rate is equal to or exceeds 6 1/2 per centum, the Secretary shall (1) expedite and give priority to applications submitted by States or local governments having unemployment

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rates for the three most recent consecutive months in excess of the national unemployment rate and (2) shall give priority thereafter to applications submitted by States or local governments having unemployment rates for the three most recent consecutive months in excess of 6 1/2 per centum, but less than the national unemployment rate. * * *"

Subsection 108(a), supra, constitutes, in part, an allocation of funds to the States (the minimum) and, in part, a limitation on any State's entitlement (the maximum). Within these extremes, amounts may vary depending on the procedures prescribed by the Secretary for approving grant applications. In this regard, section 107 of the Act, 42 U.S.C.A. § 6706, requires that:

"* * * Such rules, regulations, and procedures shall assure that adequate consideration is given to the relative needs of various sections of the country. The Secretary shall consider among other factors (1) the severity and duration of unemployment in proposed project areas, (2) the income levels and extent of underemployment in proposed project area, and (3) the extent to which proposed projects will contribute to the reduction of unemployment. The Secretary shall make a final determination with respect to each application for a grant submitted to him under this Act not later than the sixtieth day after the date he receives such application. Failure to make such final determination within such period shall be deemed to be an approval by the Secretary of the grant requested. For purposes of this section, in considering the extent of unemployment or underemployment, the Secretary shall consider the amount of unemployment or underemployment in the construction and construction-related industries."

Section 108(b) requires the Secretary to give priority and preference to public works projects of local governments in making grants under the Act.

The above-quoted statutory provisions establish, for the most part, very general criteria to guide the Secretary in accepting applications for grants and leave him broad discretion to determine which projects should receive grants. Furthermore, the regulations adopted generally reflect the factors that the Act requires the Secretary consider before accepting an application for a grant. See 13 C.F.R. § 316.10.

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With respect to your first point, concerning "project area" versus State allocations, there is nothing in the statute or its legislative history to preclude use of State unemployment figures as the basic reference point for allocations. In fact, inclusion of the maximum-minimum percentages, by State, specified in section 108(a) of the Act, supra, implies some congressional recognition that allocations would be made on a State basis.

We note that 13 C.F.R. § 316.8, which establishes the formula by which funds are allocated to the States as planning ceilings for future project approvals within the States, provides in part:

"(b) State planning ceilings. Regional offices shall observe with respect to each State served by it a ceiling on project approval recommendations. The allocation of funds to regions and States will be made after the funds have been apportioned to EDA and will be based on unemployment data available at that time. EDA will announce the date on which the funds are apportioned and the allocation is made * * *.

"(c) It is to be understood that the planning ceiling assigned to each State is not to establish an entitlement to any minimum level of project assistance within that State (unless such is the statutory maximum or minimum) but is adopted only for the purpose of furthering the objective of assuring that adequate consideration is given to the relative needs of various sections of the country. Where the planning ceiling calculated on the formula basis is less than the statutory minimum assured for each State the statutory minimum shall be the planning ceiling, and where the planning ceiling calculated on the formula basis is greater than the statutory maximum for any State the statutory maximum shall be the planning ceiling. * * *" (Emphasis supplied.)

By use of the State planning ceiling, the Secretary has attempted to satisfy the requirement that adequate consideration be given to the relative needs of various sections of the country. As indicated above, there is nothing in the Act or in legislative history to indicate that State-by-State allocations in this manner are prohibited.

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Additionally, the State planning ceilings (within the statutory minimums) do not entitle the States to any funds. The Secretary may, upon reconsideration, make adjustments in the ceilings necessary to carry out the purposes of the Act. 13 C.F.R. § 316.8(d).

With reference to your second point, concerning the failure to base allocation amounts solely on each State's relative number of unemployed persons, former Secretary Richardson's letter to you dated November 4, 1976, explained the rationale underlying the "65-35" formula adopted by the Department's Economic Development Administration (EDA) as follows:

"EDA considered three approaches to developing State planning allocation procedures. The first approach was to base allocations on a State's total share of the Nation's unemployed. States having larger numbers of unemployed relative to the Nation would have greater State planning allocations, although the dollars per unemployed worker would be the same for all States (approximately \$260 per person) with the exception of States receiving the minimum allocation. However, this procedure does not account for the 'severity and duration' of unemployment, which is explicitly stated in the Act (Section 107) and is also supported by the '70/30' percent distribution requirement specified in the Act.

"The second approach was to base allocations solely on severity -- the degree of unemployment by State. This approach also has its drawbacks. Namely, States having small to modest numbers of unemployed workers but having high unemployment rates would receive disproportionately large allocations, whereas States having modest to large pools of unemployed labor but lower unemployment rates would receive disproportionately low allocations. Further, States having comparable unemployment rates but different numbers of unemployed workers would have widely divergent allocations per unemployed worker.

"EDA thus examined a third approach that attempts to 'straddle' both the absolute and severity allocation procedures and attain a greater degree of equity (by accounting for relative distress) and economic efficiency (by selecting projects for areas having large pools of unemployed labor). On grounds of equity and efficiency, the following points were given consideration:

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- That large pools of unemployed labor generally would include a large number of unemployed construction workers (particularly skilled workers) to undertake project construction activities. Notably, States having large urban (metropolitan) areas generally have high unemployment rates and large absolute numbers of unemployed workers, so that project labor requirements potentially could be met through local unemployed labor resources.
- That States having large numbers of unemployed workers would tend to internalize the program's expenditures, creating a multiplier effect and, in short, getting more 'bang for the buck.'
- That the Act required explicit consideration of distress both in its language and in its inclusion of the '70/30' condition.
- That small areas having relatively high unemployment rates should be given the opportunity to seek and secure funds for useful public facilities. Further, such areas should be able to provide most of a project's unskilled labor requirements (which generally constitute 40 percent of the total man-months of employment generated for the average public works project) and some of the project's skilled labor requirements.

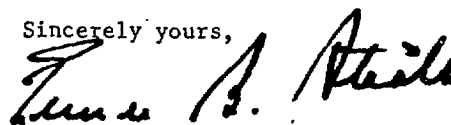
"With these considerations in mind, a procedure was devised whereby 35 percent of the program's funds would be distributed proportionately to States having unemployment rates above the national average; the remaining 65 percent of the funds available under the program would be distributed to the States based on their share of the Nation's unemployed, adjusting for minimum and maximum State allocations, the program's administrative costs, and mandatory allocations to the nation's territories."

For the reasons stated in the above-quoted explanation, it appears to us that the EDA formula gives effect to the varied statutory criteria

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and reflects the reasonable exercise of administrative discretion in implementing the Act. Therefore, we believe that the formula is legally justified.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas A. Steinhilber".

Comptroller General
of the United States



UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Washington, D.C. 20530

FEB 8 1977

MEMORANDUM FOR RICHARD GREER,
Professional Staff Member
Subcommittee on Economic Development

From George T. Karras, Director *George T. Karras*
Office of Public Works

Subject Continuation of the Local Public
Works Program

Attached are three papers which we hope may be useful in developing legislation extending the Local Public Works Capital Development and Investment Act. The first paper entitled "Recommendations for Continuation of the Local Public Works Program" briefly sets forth Agency and Administration policy determinations which it is hoped the Congress will endorse. The second paper, entitled "Policies and Investment Strategy for Continuation of the Local Public Works Program" contains a more detailed and technical discussion of the factors that formed the basis for the policy determinations. These are forwarded to you in accordance with the commitment of Secretary Kreps in her recent testimony before your committee that further recommendations would be forthcoming.

Also attached is a draft of legislative changes to the Act which we believe would permit the extension and operation of the Local Public Works program in the way recommended.

Attachments





UNITED STATES DEPARTMENT OF COMMERCE
 Economic Development Administration
 Washington, D C 20230

FEB 8 1977

MEMORANDUM FOR ROBERT PAUL, Staff Director
 Subcommittee on Economic Development

From George T. Karras, Director
 Office of Public Works - *George T. Karras*

Subject Continuation of the Local Public
 Works Program

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Attachments



RECOMMENDATIONS FOR CONTINUATION
OF THE LOCAL PUBLIC WORKS PROGRAM

The Administration, through the Economic Development Administration, has a number of recommendations for the Congress to consider in preparing the legislation for the continuation of the Local Public Works (LPW) Program. Throughout the recent hearings on the LPW program, representatives of the Congress and the Administration, public interest groups, local government officials and others have identified problems associated with the provisions and implementation of the Local Public Works Capital Development and Investment Act of 1976. In her testimony, the Secretary of Commerce discussed the Administration's general areas of concern and indicated that specific recommendations would be forthcoming.

The Administration's detailed recommendations are now contained in the enclosed paper, "Policies and Investment Strategies for Continuation of the Local Public Works Program." The paper is being transmitted at this time so that the proposals made can be considered during the development of the legislation. It is believed the Administration and the Congress share many of the same concerns with the present LPW program, and it is hoped that the proposals made would resolve many of the problems causing these concerns.

The recommendations include both legislative changes and revisions to the Administrative policies and procedures. As an explanation of the need for these changes, this paper will describe the policy directions which the Administration believes should be taken for continuing the LPW program.

There should be a clarification and simplification of the program so that it can be more easily understood. There has been a great deal of confusion over several aspects of the LPW program. The absence of any statement of purpose in the original Act has caused disagreement over the major objective of the program and sometimes resulted in conflicting expectations. Is the major purpose of the program to fund new capital improvements, to create immediate direct construction jobs through labor-intensive work, to assist local governments with severe fiscal problems, to directly reduce unemployment in areas suffering high unemployment, or to indirectly reduce overall unemployment? An explicit statement and common understanding of the primary goals of the LPW program would provide a logical rationale for the regulations and policies adopted for implementing the program.

Further, there was extensive confusion created by the complex procedures developed to score and rank projects. The scoring formula was complicated not only by the number of factors and the choices applicants had to make in submitting data, but also by the obscure ways in which scores were computed for each factor. The project scoring and selection procedures should be simplified and standardized so that the administration of the program is straightforward and more easily understood by all concerned. As the paper describes, it is proposed that the project scoring be based almost entirely on unemployment and income factors so that projects selections would relate to the distress of the areas.

The standardization of sources of unemployment data and the elimination of gerrymandered project areas would require legislative changes. The other changes in the scoring procedure would be administrative but should receive Congressional support in the form of Committee report language.

The continuation of the program should be carried out efficiently and expeditiously. As an important part of the national economic recovery package, the LPW program should be implemented expeditiously. Assuming prompt enactment of the new legislation and completion of the appropriation process, projects should be funded as quickly as possible in order to take advantage of this year's construction season.

One way of assuring fast implementation of the program is to limit applications for the next round to those which already have been submitted. Limiting eligible projects to those in the roughly \$22 billion backlog of applications not only would make sense from a practical administrative point of view but also would be fair to the large number of present applicants. Communities have made sizeable investments to submit the nearly 23,000 unfunded applications and it would be unwise to encourage more such investments when it is known that the rate of return is low. Further, applications received during the first round should represent those projects which were most needed and ready to be implemented.

Limiting the applications to those which have been submitted already could be done through a legislative provision or through administrative procedures with Congressional direction.

The priorities of local governments should be met wherever possible. One of the previously used scoring factors was based on EDA's making a subjective determination of the long-term benefits of a project. These judgments in some cases resulted in projects being selected which were not the priority of the applicant and did not meet the area's most pressing needs.

In the continued program, local officials should be given the opportunity to identify their priorities and needs, and wherever possible, only priority projects should be funded. In addition, the needs of general units of local government should be given priority over those of all other units of government. However, a mayor also should be able to indicate when a project of a special unit of government represents a local priority. As discussed in the paper, Congressional concurrence should be obtained on these proposed procedural changes.

Further LPW project investments should be more directly related to the extent of unemployment. The continuation of the LPW program should assure that only areas suffering from high unemployment receive funds within each State. A provision of the original Act which appeared to be designed to spread the program funds throughout a variety of areas, actually resulted in an inequitable distribution of projects within many states. Having funds set aside for areas with unemployment rates below the national average prohibited many areas suffering from high unemployment from receiving funds.

It is recommended that the "70/30" provision be deleted from the legislation so that investments are made only in areas with the highest numbers of unemployed and rates of unemployment within each state. Further, investment decisions should be directly related to the unemployment of standardized project areas so that the unemployment data of each is not distorted. To accomplish this uniformity, the provisions of the Act allowing gerrymandered project areas should be eliminated.

Previous inequities should be corrected and further ones reduced whenever possible. With the extremely large number of applications processed within a short time frame, it was inevitable that some errors would be made in the selection of projects to be funded under the first round of the LPW program. While the number of projects which were erroneously excluded from being funded was relatively small, it is only fair to assure that these projects are now funded. With Congressional concurrence, such projects would be given priority consideration.

In addition to correcting inequities caused by past procedural discrepancies, the legislation for the continued program should be modified to assure that other inequities are reduced as much as possible. Equity should be strived for in distributing funds within a state among the areas of high unemployment. Equity also should be furthered by the use of a standard source and time period for unemployment data. Further, standardized project areas separating urban areas from their counties will help achieve equity by having areas receive funds in proportion to their unemployment.

Additional inequities occurred because of the incomparability of unemployment data for Indian and non-Indian areas. In certain states Indian Tribes received an extremely large share of funding in proportion to their number of unemployed. It is recommended that the legislation provide for a set-aside allocation for Indian projects so that they would compete independently of all other projects in the country.

SUMMARY

To accomplish the above recommendations the following legislative changes must be made:

- . Include a statement of purpose.
- . Eliminate Section 108(d) which required a 70/30 breakout of program funds.
- . Eliminate Section 108(e) and (f) which allowed applicants to define gerrymandered project areas. Project areas should then be limited to cities of 50,000 or more or to the balance of county excluding all cities of 50,000 or more.
- . Eliminate the provisions of Section 108(c) which enabled applicants to use unemployment statistics for the three most recent consecutive months from different sources. Instead stipulate that the most recent 12 month average unemployment statistics from Bureau of Labor Statistics and Bureau of Indian Affairs information supplied to EDA.
- . Establish an Indian set-aside.

In addition to legislative changes, the following administrative changes must be made to further implement the above recommendations:

- . Establish December 23 as the deadline for eligibility of applications under the next round of the program.
- . Establish State planning targets as was done in the first round.
- . Revise the scoring formula to include numbers of unemployed (40 points), unemployment rate (40 points), per capita income (10 points) and type of government (10, 5 or 0).
- . Establish benchmarks for project areas to avoid an undue concentration of funds in a State.

- Establish a set-aside to correct the few applications that were erroneously not selected due to procedural discrepancies.

Policies and Investment Strategy
for Continuation of the Local Public
Works Program

I. Introduction

Now that nearly all investments have been made for the first round of the Local Public Works Program, the Economic Development Administration has assessed its experience and can make recommendations for improving the administration of the proposed continuation of the program. Our recommendations are based upon the premise that there is the need to clarify the purpose of the program; simplify the project selection procedure; reduce inequities to the extent possible; and expeditiously invest additional funds.

We are aware that the two further investment rounds proposed for the LPW program must be contained in the same authorizing legislation. We concur with the approach of having two separate funding rounds - one to immediately fund projects for which applications already have been submitted and another for an expanded universe of projects at a somewhat later date. A number of significant program changes could be made for the third round, since in many senses, it can be treated as a new program. Round two is in many ways an extension of the first round and, therefore, fewer changes can or should be made. The major focus of this paper is Round II, although we also refer to Round III.

II. Goals and Objectives

Some of the confusion and varying expectations of the LPW Program have resulted from the absence of any statement of purpose or objectives in the statute. Following is a recommended Statement of Purpose for the legislation for Round II.

"The national economy and the economies of many areas and regions in this country continue to exhibit levels of distress that are excessive and, consequently, incompatible with our goals as a Nation. This distress is reflected in a variety of ways, including high unemployment and inadequate public capital stock. The purpose of this legislation is to address such problems by establishing a program to provide for the expeditious construction of useful public works and development facilities in these areas.

Previous experience has demonstrated that local and State governments in every section of the country possess the capability to undertake public works projects within a very short time span. Experience has further proven that such projects furnish needed public facilities as well as generating employment. In many cases, this stimulus and the employment generated continue beyond the period of project construction and contribute to the area's long-term development.

On the basis of our knowledge about public works expenditures and the needs of economically disadvantaged areas and regions, this legislation has been developed to authorize the immediate funding of local and State government public works facilities in accordance with the following objectives.

- . To provide a countercyclical stimulus to the national economy.
- . To support projects in areas experiencing high unemployment.
- . To finance projects that provide immediate employment opportunities and, whenever possible, provide such opportunities for the unemployed.

- . To assist governments that are least able to finance such projects on their own.
- . To fund projects that improve an area's capital stock and are consistent with local decision-makers' priorities and local plans."

Additional objectives may be included for the Round III program.

III. Policy Directions

There are a number of overriding policy assumptions which are the basis for the recommendations being made for the implementation of Round II.

A. Simplification of Administration

Wherever possible, the program rules and regulations should be simplified so that they can be more easily understood by applicants, the Congress, and the public at large.

B. Efficiency of Administration

The program should be implemented as efficiently and expeditiously as possible, including avoiding an increase of the demand and backlog of applications and reducing the number of projects funded.

C. Emphasis on Local Priorities

Wherever possible, local officials should be given the opportunity to identify and have funded those projects which reflect their local priorities and needs.

D. Direct Relationship Between Investments and Unemployment

The program should be administered in such a way as to assure a more direct relationship between investments and distress. Investments should be oriented to areas with highest numbers and rates of unemployment within each state.

E. Reduction of Inequities

Previous inequities should be reduced or eliminated wherever possible. As an example, urban areas should more fully benefit from the program in proportion to their unemployment.

IV. Legislative Provisions

In order to meet the objectives and carry out the policies discussed above, the authorizing legislation for continuing the Local Public Works Program must be changed from the original legislation on several significant points. These changes are identified in this section. Other legislative provisions which have been proposed from various sources are also discussed.

A. Recommended Changes to LPW Legislation

1. Eliminate the 70/30 Breakout

Section 108(d) of the Local Public Works Capital Development and Investment Act of 1976 requires that 70% of all program funds be expended in areas with unemployment rates above the national rate and that the remaining 30% be expended in areas with unemployment rates in excess of 6 1/2% but below the national rate.

Problem: The allocation of funds within each State, and therefore nationally, according to this 70/30 breakout has resulted in an inequitable distribution of projects. In many cases, projects were selected in areas with unemployment rates below the national average, while many other areas with rates above the national average received no projects as the 70% money had been exhausted.

The 70/30 breakout frequently resulted in a comparatively wealthy suburb receiving a project under the 30% allocation while the highly distressed urban area received no funds since the State's 70% allocation had been exhausted by other areas.

Recommendation: Section 108(d) should be deleted so that all areas within a State would be competing against each other and only those areas with the highest unemployment would be funded.

Areas with unemployment rates below the national average would be funded only if all other projects from areas above the national average had been funded in a State and the State's planning target had not been exhausted. However, areas with unemployment rates below 6 1/2% would be funded only under this condition in a State where it is necessary to reach the minimum statutory expenditure.

It should be noted that the Senate bill calls for an 85/15 breakout on this provision.

2. Eliminate Gerrymandered Project Areas

Section 108(f) of the Act permits applicants to use adjoining areas for determining the unemployment rate and number of unemployed for project areas which measure the need for their project.

Problem: This provision resulted in much confusion and enabled certain areas to unfairly capitalize on the distress of other jurisdictions. The applicants' ability to define their own project areas resulted in glaring inequities and confusion. In some cases a city defined its project area as its boundaries assuming its high unemployment was sufficient. A small town outside the city used the whole county (including the city) as its project area. The result was that the small town ranked higher and was selected. The loose project area requirements encouraged applicants to determine which areas would guarantee high scores, and permitted large project areas to be defined which included areas with high unemployment to the disadvantage of those areas.

Recommendation: All gerrymandering of project areas should be prohibited. Therefore, Section 108(f) of the Act should be eliminated. Project areas would then be limited to cities of 50,000 or more or to the balance of county excluding all cities of 50,000 or more.

3. Eliminate "Pockets of Poverty" Provision

Section 108(e) of the Act permits a project application to be based on the unemployment data of a community or neighborhood within the applicant's jurisdiction, except that any project so funded must either benefit or employ unemployed residents of the community or neighborhood.

Problem: This section sometimes allowed unusual and seemingly unfair applications. The "pocket of poverty" provision could make a city eligible for funding while it was not necessarily clear how much or directly the residents of the neighborhood would benefit. We have examined possible methods to tighten the relationship between the project and

proposed beneficiaries for these types of project areas for Round II, but the time element of the selection procedure requires the Agency to accept applicants' assurances without in-depth examination. In addition, the unemployment data available for the communities and neighborhoods is not comparable to Bureau of Labor Statistics data. Similar to Section 108(f), this provision encourages an applicant to gerrymander a project area within its jurisdiction.

Recommendation: Section 108(e) should be deleted from the legislation.

While the deletion of this provision will result in some areas not being reached by the program, it will assure that only places with the highest unemployment will receive funds. We realize that some otherwise well-off cities do have significant pockets of poverty and unemployment. However, it is not realistic to expect this counter-cyclical program to address all problems of all places.

4. Revise Unemployment Statistics Requirements

Section 108(c) specified that in making grants unemployment statistics be calculated by using the three most recent consecutive months.

Problem: The average of the three most recent months was not, in many instances, a representative picture of unemployment in a community and caused inequities in selection. Section 108(c) also enabled applicants to use different sources of unemployment data for different (most recent) time periods. This provision often created invalid statistical comparisons.

Unemployment data for the three most recent months represented seasonal and temporary fluctuations. Communities with low unemployment during the summer, e.g., due to tourism, and high unemployment the rest of the year were penalized due to the timing of the program. A 12-month average for all applications for a set period of time (1976) would, in effect, be seasonally adjusted data. It would be a more realistic estimate of unemployment in all communities.

Recommendation: The 12-month average for 1976 should be used as the estimate of unemployment for Round II. (Round III statistics should be the most recent 12-month average available). All references

to three most recent consecutive months in Section 108(c) should be deleted.

All unemployment data for county and county equivalents, except for Indian reservations, should be from the same source, the Department of Labor. Indian tribes should use the latest BIA data. Section 108(c) which allows applicants to use alternate sources should be eliminated.

N.B. The data must be available from the Department of Labor and BIA by mid-March at the latest.

5. Establish Indian Tribe Set-Aside

Problem:

In certain States, projects submitted by Indian tribes took an extremely large share of the States' 70% allocations in proportion to their numbers of unemployed. This problem was exacerbated by the fact that BIA unemployment and per capita income data are not comparable to non-Indian data.

Recommendation: Establish in the legislation a 2-1/2% (\$50 million) set-aside for Indian projects.

The set-aside would allow Indian projects to compete independently of all other projects in the Nation for \$50 million. It has been estimated that \$30-40 million will be necessary to allow each Indian tribe applicant to receive a project or combination of projects which would exceed its benchmark. EDA would obtain standard 12-month unemployment data from BIA to score and rank the projects. Selected projects would not be counted against any State allocation.

B. Legislative Provisions to be Retained

1. Keep 100% Grant Rate. While there are valid reasons for reducing the LPW grant rate and requiring a local share, it is not advisable to do so for the second round of the program. First the large number of applications on file for consideration have been submitted for 100% financing. It would be impractical to require applicants to redo their projects and to identify and obtain sources of local funds. Such a requirement would interfere with the expeditious implementation of the Round II program.

Recommendation: The 100% grant rate should be maintained for Round II.

2. Continue to treat Puerto Rico as a State. Puerto Rico's original allocation of \$123,000,000 was not fully expended because no projects were submitted in the 30% category. Questions have been raised about Puerto Rico's capacity to absorb its full Round I allocation and additional funds under Round II.

Recommendation: We contend that the questions about Puerto Rico's ability to absorb additional projects are not valid. Therefore, the unexpended Round I funds for Puerto Rico (34 million) should be spent on additional 70% projects. We also recommend that the provision which treats Puerto Rico as a state for purpose of this act should remain intact. We expect that Puerto Rico's Round II allocation will be of the same magnitude as Round I and that it can be invested effectively under our recommended procedures.

3. Retain the State Minimum Allocation of 1/2 of 1% of the Appropriation: It has been proposed that the minimum state allocation be raised to 1% (\$20,000,000). We disagree with this proposal since increasing the minimum would distort the State planning target formula and effectively discriminate against these areas where the need is greatest. Looking solely at their share and rate of unemployment, many States would not even have a \$10 million allocation.

Recommendation: The present 1/2 of 1% minimum State allocation should be retained for Round II.

C. Reactions to Senate Bill *

1. Concurrences. We agree with the general premise of the Senate Bill to distinguish a Round II and Round III for the Local Public Works program. Our comments are directed towards specifics for Round II of the program. Round III will be briefly discussed at the end of this paper. In particular we agree with the following specific provisions of the Senate Bill.
 - An Indian allocation will be set-aside
 - Applicants will be required to up-date project cost data
 - Undue concentration will be determined taking into consideration the grant awards made in Round I
 - \$2 billion for Round II and \$2 billion for Round III. The authorization should be kept at these levels because this program is only one part of the Administration's total economic recovery package. While more funds could be absorbed by local public works, in the context of the total package, this is considered an appropriate amount for the Federal Government to invest in countercyclical public works projects. Furthermore, at this time it is not possible to estimate the inflationary effects of any additional funds and the capacity of the construction industry.
2. Disagreements. We disagree with the following provisions of the Senate Bill, some of which are explained in Section IV A.
 - Funds should not be divided into areas above the national average and areas below according to an 85/15 breakout respectively.
 - We agree with a December 23 deadline; however it should not be part of the legislation. It would be more helpful to receive direction from the committee in this regard, as discussed below.

*To date the House Bill makes no changes in the provisions of the LPW legislation other than increasing the authorization. Therefore, only the Senate Bill is addressed here.

- EDA will not require applicants to update their own unemployment data. EDA will itself update unemployment data and revise project area definitions according to the regulations that are established.

- EDA will not use the same project areas as previously defined by the applicants. Rather the project area automatically will be either the county where the project is located, a city of 50,000 or more if the project is located in such, or the balance of county excluding any cities of 50,000 or more if the project is located in a county with such primary cities.

- The Youth Community Improvement Program (Title II) addresses a very real problem among the young people of our nation today. The Administration's economic recovery package, recommends a substantial expansion in the Federal Government's youth employment and training programs. It is recommended that the goal of reducing youth unemployment would be more effectively implemented through Titles III and IV of the comprehensive Employment and Training Act. (CETA). The CETA prime sponsors already have a structure in place for conducting skill training and for creating jobs.

V. Program Policies

In addition to the legislative changes discussed above, the following major programmatic and administrative policies are recommended which would enable more effective administration of the program. These policies include State planning targets and scoring and selection procedures.

A. State Planning Targets

The State planning targets were calculated by a formula which allocated 65% of the funds to all States according to their proportionate number of unemployed and 35% of the funds to those States with unemployment rates above the national average according to relative severity. This formula worked equitably for the majority of States. Therefore, the formula should be retained intact for Round II.

B. Deadline for Submission of Applications

Only 2,000 of the more than 25,000 applications originally received were funded with the first \$2 billion. The large backlog created during the first round raises questions about the advisability of inviting more applications and creating a larger demand. To invite additional applications would actually increase the burden on local communities. It would encourage communities throughout the country to go to further expenses in vain as the rate of success will still be low. The applications EDA received under the first round represent community priorities and those that are ready to be implemented. Therefore, a deadline of December 23, 1976, should be established. The December 23, 1976, date would allow all applications initially received before that date, even those returned for deficiencies, to be eligible for Round II.

N.B. It is recommended that either the Public Works Committee give direction for this deadline in the Committee report and that EDA impose the deadline administratively, or that it be included in the legislation. In either case, an exception should be allowed for those statutory minimum states which originally submitted only enough projects to expend this first allocation.

C. Scoring Formula

The scoring formula established for the first round was designed to objectively select projects from what was perceived to be a huge demand. The formula inadvertently created inequities in the distribution of funds and was too complicated to be understood by most people. Therefore the scoring formula should be revised as explained below.

APPENDIX III

1. Factors that should be eliminated. The following factors should be eliminated from the formula:
 - Labor Intensity - The labor intensity factor was not an effective discriminator among projects. Most projects claimed labor intensities above 35 percent, automatically giving them the maximum score on this factor. Such a factor would only be meaningful if priority were to be given to renovation projects. However, it has never been an intention of this program to emphasize such projects over new construction.
 - Relationship to Plans - Virtually all applications stated that their projects were related to a plan. Thus this factor was not an effective discriminator among projects. The Agency should make consistency to plans a finding rather than include it as a scoring factor.
 - Long-term Benefits - The determination of long-term benefits required difficult, subjective judgements which were often not consistent with local priorities. We assume that public works projects, a priori, have long-term benefits. This was an administrative decision to include this factor in scoring. We believe the Agency should now make a finding as to a project's long-term benefits, but should not attempt to rate them on the extent of their benefits.
2. Scoring factors to be used. The scoring factors that should be included in a selection formula are:
 - Unemployment rate - The unemployment rate of a project area, as defined in IV A2, will measure the severity of unemployment. The data will be supplied by the Department of Labor to EDA. This factor will be worth 40 points in the formula.
 - Absolute numbers of unemployed - The numbers of unemployed in a project area measures the extent of distress. The data will be supplied by the Department of Labor to EDA, as well. This factor will be worth 40 points.
 - Per capita income - The per capita income factor provides a basis for discrimination among projects within a county. However, as it does not take cost of living into account, it should be de-emphasized. The per capita income of the applicant's jurisdiction (i.e., city, county, State) will be used and will be worth 10 points.

The statistics will be supplied by EDA again using 1972 Treasury Department data.

- . Type of government - This factor will be revised so that general purpose units of local governments will receive the maximum score (10 points). This would include city, county, and Indian tribe governments. Special purpose units, including school districts, would receive 5 points and States 0 points. In this way the priorities of the chief official of the local unit of government will be met. However, if the chief executive states that a project sponsored by a government unit other than his/her own is a priority, EDA could select that project provided the amount is acceptable and the projects could then be tied. While the general purpose unit of local government will always have priority over a school district, port authority, sewer authority, State, etc., it is important to note that a mayor could bring about the selection of such an authority's project if it were considered to be a local priority.

N.B. The 'Public Works Committees' concurrence with the assignment of these points should be obtained, particularly regarding school districts.

3. Project area definition - Project areas will be defined according to where the project is located, i.e., a city of 50,000 or balance of county. Therefore, State, county and special purpose unit project areas will be defined by project location, not the applicant's address.

D. Selection Procedure

State planning targets are established in accordance with each State's proportionate share of distress in order to equitably distribute the LPW funds throughout the country. Similarly, benchmarks are developed for counties and primary cities within counties in order to avoid an undue concentration of funds in any one area within a State. A benchmark represents the level of funding that an area could receive in proportion to its share of the State's unemployment. A benchmark is not an allocation and there is no assurance that an area will receive any or all of its benchmark. Rather, the benchmarks are applied to the high ranking areas within a State as a way of determining when sufficient funding has been given and we can move on to the next area. This procedure will assure that a primary city does not receive all of the funds for a county at the expense of the rest of the county and vice versa.

The project selection procedures must be clearly distinguished from the project scoring formula. The scoring factors described above are used to score and rank all projects for a State. The project selection procedure then applies "benchmarks" to the ranked list in order to select those projects to be funded. Although the project area used for scoring a project is sometimes the same area as that used for determining a benchmark, they can also be different geographical areas and the two should not be confused.

1. Benchmarks

A county benchmark should be calculated by dividing the county's 12-month average number of unemployed by the State's average number of unemployed. The dividend is then multiplied by the State planning target and that dollar figure is the benchmark.

- . As necessary, a city or town benchmark will be calculated in the same manner only the number of unemployed in the city is divided by the unemployed in the county, i.e. the percent unemployed in that county. That percent is multiplied by the county benchmark. When unemployment data is not available population is substituted as a proxy.
- . In counties with cities of over 50,000, separate benchmarks will be established at the outset for such primary city or cities and the balance-of-county. Sub-benchmarks will be made for towns or smaller cities within a balance-of-county, as necessary.

2. Relation to First Round. The first round benchmark will be added to the second round benchmark. The worth of the projects already funded from the area will then be subtracted from this sum to arrive at a residual benchmark against which new projects will be selected.

3. Project Location. A project's location will determine which benchmark it should be applied against. Therefore, a county or State project would count against a local benchmark. It can be expected that in some cases county government projects may rank above city government projects and use up a city's benchmark before any city projects are reached. In such cases, the Assistant Secretary should have the discretion to establish how many county projects should be approved. Normally they would not exceed 50% of the city's benchmark.

N.B. Such discretionary authority should be specially given to the Assistant Secretary in either the legislation or Committee reports.

4. Tied Projects with Tied Scores. In many cases the choice of which tied project to select will be dictated by the benchmark. In cases where the choice is not clear, the applicant city will be required to indicate its priorities. In the extremely rare event that different applicants have tied projects, the Assistant Secretary should have the discretion to make equitable judgments.
5. Exceeding Benchmarks. Normally, benchmarks will only be exceeded by the last project selected for an area. In the case of tied projects, the last project selected will be the one which exceeds the benchmark by the least amount.

Only in cases where it is necessary to expend a State's planning target will benchmarks be increased.

E. Set Aside for Procedural Discrepancies

As a result of the large number of applications processed and the subsequent data processing transactions, a certain number of errors were made. Some of these errors precluded certain projects from being funded. While the number of such projects is relatively small, it is only fair to assure that they are now funded. To accomplish these corrections, the following is recommended.

1. The Regional Offices should continue to assess all selection errors and identify projects which should have been funded.
2. A cut-off date should be set for identifying all Round I discrepancies.
3. 2-1/2 percent should be set aside from the Round II appropriation to fund these projects as well as to cover errors made in the second round. It is estimated that this will be an adequate amount for the Assistant Secretary to have for such purposes.
4. The Assistant Secretary should be given the authority for this set aside in the Committee report.
5. Only projects which were not selected due to an EDA error would be eligible for funding under this set-aside.
6. Some projects from the original 30% priority group may be funded under this procedure.

VI. Administrative Assumptions

A. Breakout of Appropriation

The \$2 billion for Round II should be divided as follows:

\$10 million - Administration

\$50 million - Set Aside for Procedural Corrections at Assistant Secretary's Discretion

\$50 million - Set Aside for Indian Allocation

\$1.89 billion - State Planning Targets

B. Proposed Timetable.

Assuming that an appropriation would be made by April 1, 1977, the following timetable could be adhered to for implementing Round II:

	<u>Proposed Timetable</u>					
	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	--	<u>Sept.</u>
Legislation Enacted	x					
Preliminary Regulations	31					
Appropriation.....		1				
EDA publishes final Regulations.....		15				
Cut-off date for applicants to provide supplemental project information.....		30				
Project selections finalized by EDA.....			31			
All grant offers approved and mailed..				30		
Projects start construction				1	- - - - -	30

VII. Considerations for Round III

Following are several suggestions for Round III of the Local Public Works Program. We will work with the Public Works Committee to further explore these recommendations.

- Reduce the grant rate to 80% and require a local share.
- Emphasize long-term economic development projects.
- Allow submission of new applications, but control the number from any one area.
- Limit the extent to which a locality's benchmark can be exceeded.
- Consider the advisability of including non-profit organizations as eligible applicants.

DRAFT TECHNICAL LANGUAGE

Section 2. Section 108(c) of the Local Public Works & Investment Act of 1976 is amended to delete:

(a) from the second sentence the following phrase wherever it appears: "or local governments", and

(b) from the subsection the word "three" wherever it appears and substitute in lieu thereof the word "twelve".

Section 3. Sections 108(d), 108(e), and 108(f) of the aforesaid Act are deleted and the remaining subsection is redesignated accordingly.

Section 4. Section 111 of the aforesaid Act is amended to add the following:

"There is further authorized to be appropriated an

additional sum not to exceed \$4,000,000,000; PROVIDED, that of this sum not to exceed \$2,000,000,000 be available for each of the fiscal years ending September 30, 1977, and September 30, 1978, for the purposes of carrying out the purposes authorized in this Act. Not to exceed 2 1/2% of the appropriations under the authorizations for FY's '77 and FY '78 shall be available to Indian tribes for grants under this Act. There is authorized to be appropriated such sums as are necessary after fiscal year 1977 for the purposes of monitoring, evaluating and closing out the program authorized by this Act."

Section 5. Section 112 is added to the aforesaid Act as follows:

"No injunction of any nature shall be issued against The Secretary in connection with this title of the Act."

EXPLANATION TO
AMENDMENTS TO LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND
INVESTMENT ACT of 1976

Sec. 2 deletes from Sec. 108(c) local governments as a source of unemployment rates; also changes "unemployment data of the most recent three months" to read twelve months.

Sec. 3 deletes Sec. 108(d) through (f) which are concerned with the 70/30 split, as well as the basis for an unemployment rate in a community or neighborhood or of an adjoining area.

Sec. 4 provides authorization of funds for grants in two phases, one each for FY '77 and '78 includes administrative and monitoring expenses; Indian tribe grants would have a maximum of 2 1/2% of the three phases.

Sec. 5 adds a new Section 112 which prohibits the issuance of an injunction of any nature against the Secretary.

POSSIBLE ALTERNATE
TO SEC. 4 of PROPOSED AMENDMENTS
TO LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND INVESTMENT
ACT of 1976

Sec. 4. Section 111 of the aforesaid Act is amended
to read as follows:

"Section 111. There is authorized to be appropriated not to exceed \$6,000,000,000 for the period ending September 30, 1977 to carry out this Act, including administrative expenses. Not to exceed 2 1/2% of appropriations under this authorization shall be available to Indian tribes for grants under this Act. There is further authorized to be appropriated such amounts as may be necessary after fiscal year 1977 for the purpose of monitoring, evaluating, and closing out the program authorized by this Act."

EXPLANATION TO ALTERNATE §4 AMENDMENT TO LOCAL PUBLIC
WORKS CAPITAL DEVELOPMENT AND INVESTMENT ACT of 1976

This amends the authorization section by deleting \$2 billion and changing it to \$6 billion; also includes 2 1/2% set-aside for Indian tribes, and a provision for monitoring the program after 1977.

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