CHAPTER VI

Chapter VI

RESOURCES IN ACTION

Background

The hunting and gathering societies of primitive man neither utilized nor damaged natural resources. Even the damage caused by the shifting agriculture practiced by subsistence farmers is quickly repaired by nature if population remains sparse.

Settled agriculture, however, historically has been exploitative. For the first three centuries after European emigrants introduced settled agriculture into the United States, the land and water resources were exploited and destroyed without regard for the future. The interest of President Theodore Roosevelt in conservation and the appointment of his friend Gifford Pinchot as Chief of the Forestry Division in the Department of Agriculture on July 1, 1898, marked a major turning point in the use and management of natural resources. The major thrust of the conservation movement in the first third of the twentieth century was in the conservation of forests, although pioneering work was done in the study of soils, erosion, and wildlife.

By the 1930's few stands of virgin forest remained outside of the National Forests and National Parks. The dense forests of the eastern seaboard and the lake states had been decimated. In the wake of deforestation had come floods, gullied and eroded hillsides, and silted up water ways and harbours. Much of the natural grassland of the great

plains had been over-grazed or plowed and planted to grain crops. The destruction of the natural cover in this area of sparse rainfall permitted wind erosion. The area began to be called the "dust bowl" and the "great American desert".

A national policy of saving the soil as a basic resource was established during the administration of President Franklin D. Roosevelt. The policy was implemented in two separate, but interrelated programs. The basic legislation establishing the Soil Conservation Service, adopted April 27, 1935, provided for a coordinated program using all known methods and practices adapted to the needs of the land. Initially, the program was implemented through the establishment of demonstration projects. It soon became evident that, not only would the cost of establishing enough demonstration projects to reach every community be prohibitive, but active farmer participation in organized groups was necessary to ensure continuity and the cooperation of all land owners in a given area. This gave rise to the idea of organizing soil conservation districts as governmental subdivisions of the states. By July 1, 1961, more than 92 percent of the Nation's land in farms was included in local, self-governed soil conservation districts.

Congress adopted the soil conservation and good land management approach to the amelioration of farmers' economic problems after the Supreme Court invalidated the first Agricultural Adjustment Act. The

Soil Conservation and Domestic Allotment Act of February 29, 1936, provided for the classification of crops into soil-depleting and soil-conserving classifications. Farmers were paid for shifting land from soil-depleting to soil-conserving crops. They were also paid, on a cost sharing basis, for the application of a number of soil conserving practices to their lands. Farmer participation in cropland adjustment programs increased steadily until World War II. By that time, approximately 6 million farmers, operating 81 percent of the nation's cropland, were cooperating. Wartime and post-war relief requirements for food obliged farmers to draw on soil resources while shortages of labor and materials interfered with the application of conservation practices.

By the time the war and reconstruction period were ended, the inputs by farmers into crop production on American farm land were increasing so rapidly that shifts in land use promoted by government programs had little effect on overall crop production. Under the administration of President Eisenhower, the Soil Bank, established by the Agricultural Act of 1956, paid farmers to take millions of acres out of crop production and put them to conservation use.

The program was divided into two parts: an acreage reserve and a conservation reserve. In 1957, 21.4 million acres were in the acreage reserve. This program ended in 1959. The conservation reserve encompassed 28.6 million acres in 1960. This latter program disrupted entire communities because many farmers placed their entire farms in the conservation reserve.

The basic objective of soil conservation activities by the Department continued to be the use of each acre of agricultural land within its capabilities and the treatment of each acre of agricultural land in accordance with its needs for protection and improvement. In 1951, a "progressive planning" program for soil conservation was inaugurated by the Soil Conservation Service and soil conservation districts. The procedure consisted of three stages to enable farmers to start gradually and move progressively into well-rounded conservation systems on their farms. By 1963 nearly a million and a half farmers had completed basic conservation plans on 455 million acres.

The role of land in the management of water resources was first legislatively recognized during the administration of President Franklin D. Roosevelt. The Omnibus Flood Control Act of 1936 was the precursor of a long series of watershed protection and development measures enacted by Congress. The Federal Government began providing technical assistance, loans, and cost sharing for floodwater retarding

dams and reservoirs on farms under the Watershed Protection and Flood Prevention Act of 1954. The principles of community involvement which had worked successfully in the operation of soil conservation districts was applied to watershed protection. The program was beginning to gather momentum by the end of 1963; --933 projects had been authorized for planning, 538 plans had been approved for installation, and 60 had been completed.

The development of forest conservation programs had kept pace with other conservation programs. The public ownership of forest lands had become accepted doctrine and cooperation between the Federal Government and States and the encouragement of good forestry practices on private lands through technical assistance and subsidization had developed to a high degree. Despite all of the preventive and restorative measures the Nation's forest resources continued to be depleted at a faster rate than they were being replenished. A national Timber Resource Review in 1958 showed that while timber growth was increasing, the quality of timber growth was declining. Substantial increases in timber growth would be necessary if the Nation's forest resources were to be adequate to meet timber requirements of the future. In other words, we would have to grow trees to meet timber needs as we grow crops to meet food and fiber needs.

A comprehensive, long-term plan for the development of the national forests was submitted to Congress and in 1960, the Multiple Use-Sustained Yield Act was passed. Multiple use is management of all renewable surface resources so that they will be used in the combination that will best meet the present and future needs of the American people. Specific uses included in the concept are outdoor recreation, grazing, timber production, water resource management, and wildlife and fish production.

The restoration and proper management of the Nation's grasslands also began during the 1930's with replanting, the establishment of forest shelter belts, government purchase of lands not suitable for crop production, and the organization of livestock producers into grazing associations. The restoration and increased productivity of the Great Plains in the past thirty years has been so remarkable that few remember the drifting sands and dust storms of the 1930's.

One of the important factors which made it possible for this Nation to embark on a conservation program and at the same time feed a growing population has been the technological revolution. The Department of Agriculture during the first third of the twentieth century nurtured the good roads movement. This infrastructure made the gasoline engine available as a source of power on the farm. During the second third of the twentieth century, the Department of Agriculture nurtured the rural electrification program which made the electric motor an equally important source of power on the farm. Rural

electrification, like conservation, was achieved through a combination of Federal technical and capital assistance and locally organized legal entities. Rural electric cooperatives, with loans from the Rural Electrification Administration and management and engineering assistance from the same source had brought electricity to 98 percent of America's rural residents by the early 1960's. Assistance in the establishment or modernization of telephone service to rural residents was added to the program of REA in 1949.

As has been noted each of these resource conservation and development programs employed grass-roots based organizations of cooperators in developing and implementing its programs. With the passage of time these groups federated into national organizations such as the National Association of Soil Conservation Districts, and National Rural Electric Cooperative Association, and the American Forestry Association. They became powerful pressure groups which not only protected their programs from legislative and administrative cuts but promoted their expansion. A telegram from a Washington lobbyist for one of these organizations could bring a flood of protest mail to The President, Secretary of Agriculture, Senators and Congressmen.

In March 1962, the Department of Agriculture proposed what was called a program for the 1960's. The ABCD program called for abundance, balance, conservation and development. Of these, the conservation objective was the least controversial. Being non-controversial, they tended to be also static -- a group of on-going programs well on their way to the achievement of their stated objectives. 1/

1/ Gladys L. Baker, Wayne D. Rasmussen, Vivian D. Wiser, and Jane M. Porter, A Century of Service, the first 100 years of the United States Department of Agriculture. U. S. Government Printing Office, Washington, 1963.

The rural resource activities of the Department of Agriculture in 1964 accounted for $800 to $900 million of the Department's annual expenditure. They employed about half of the Department's personnel, some 50,000 persons. The Forest Service and the Soil Conservation Service had primary responsibility for resource conservation and development; but other agencies participating in this work included the Agricultural Research Service, Agricultural Stabilization and Conservation Service, the Economic Research Service, the Federal Extension Service and the Farmers Home Administration.

The Department of Agriculture administered programs dealing with the conservation and development of 81 percent of the Nation's total land. It had first Federal responsibility with respect to the water which falls on this land. It administered extensive programs for controlling, conserving and developing this water. They include the Watershed Protection and Flood Prevention Program, services to the Nation's more than 2,950 local soil and water conservation districts, resource conservation and development projects, the Great Plains conservation program, river basin planning, snow surveys and water supply forecasts in the western states, multiple-use management of the National Forests, and technical advisory service in the management of privately owned forest lands. The Department administered a program for management of grasslands

in private ownership. In carrying out these responsibilities, the Department was engaged in an extensive program of physical and economic research.

The 88th Congress enacted the Food and Agriculture Act of 1962, which enabled the Department to apply multiple-purpose conservation principles to private lands through state and local agencies and organizations. The Land and Water Conservation Fund provided a 25 year revenue source for the States and Federal Government to acquire and preserve open space and public recreation areas.

The Land and Water Conservation Act authorized the initiation of a fee for the recreational use of Federally owned lands as a means of helping to finance the expansion of recreational facilities. Receipts from admissions go into the Land and Water Conservation Fund. 1/

The Water Resources Research Act made possible more rapid advances in acquiring the knowledge to meet special problems of a nation where water is becoming more scarce and more precious with each generation.

Public Law 88-341 liberalized loans for forestry programs, a program long needed for the development of small private forests and woodlots.

The Food and Agriculture Act of 1965 authorized a Cropland Conservation Program under which the Department, in designated areas could provide financial assistance to farmers or ranchers who converted cropland to other uses. Transition payments were made available to lessen the immediate cost of the shift. The Agricultural Stabilization

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1/ Public Law 88-578, (78 Stat. 897), USDA Press Release 3469-64, October 12, 1964.

and Conservation Service was assigned leadership for this program. Agreements with individual landowners were to be based on farm conservation plans developed through soil conservation districts with Soil Conservation Service technical help.

Early in 1962, Secretary Freeman offered to sign new Memorandums of Understanding with soil conservation districts that would incorporate the broader aspects of conservation pertinent to programs of the 1960's.

THE ROLE OF USDA AS A NATURAL RESOURCE AGENCY

The Department of Agriculture had some difficulty in establishing its image within the Johnson Administration as something more than a service agency for commercial agriculture which had outlived its usefulness.

For example, when President Johnson established on June 6, 1964, a series of task forces on 1965 legislative programs, the Department was asked to chair the Task Force on Agriculture and Rural Life, but was not represented on the task forces on Natural Resources or the Preservation of Natural Beauty. Under Secretary Charles S. Murphy protested these omissions in memoranda to Bill Moyers. The Secretary sent memoranda to the chairmen of the respective task forces stating the Department's involvements in these areas. 1/

1/ John A. Schnittker to Nathan Koffsky, Grover Chappell, Howard Hjort, July 20, 1964, and attached, Charles S. Murphy to Bill Moyers, July 16, 1964, in John A. Schnittker, Chronological File, Lyndon Baines Johnson Library.

On December 26, 1964, Secretary Freeman wrote to Hubert Humphrey: 1/

> I spent most of the day wrestling with the Bureau of the Budget again. I surely appreciate your help in trying to get across the necessity for a name change. Frankly, at this time they seem to feel basically that we are just on the make here to find something to do because agriculture's traditional function is no longer as demanding as used to be the case.

Again in letters of September, 1965, to cabinet members asked to serve on the Task Force on Agriculture and Rural Life to formulate a legislative program for 1967, Secretary Freeman said: 2/

> There is a great 'grey area' of overlapping jurisdiction where Federal programs in rural areas are concerned. The need in rural America is enormous, yet few Federal programs reach out adequately. At the same time most have a responsibility to serve country as well as city Americans. Accordingly operational, jurisdictional, organizational questions of some sensitivity will be discussed by this task force, in addition to budgetary and legislative questions.

The Rural Life Program developed by the Task Force on Agriculture and Rural Life was significantly pared down because of budget pressure but Secretary Freeman felt that Presidential Advisers Joseph Califano and McPherson would support enough of it to provide some new program directions. 3/

1/ Orville L. Freeman to Hubert H. Humphrey, December 26, 1964, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library.

2/ Orville L. Freeman to Stewart L. Udall, September 1, 1965, in Orville L. Freeman Chronological File, Lyndon Baines Johnson Library.

3/ The Secretary to John Schnittker, John Baker, Robert Lewis, Jim Thornton, December 13, 1965, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library.

The Bureau of the Budget during 1965 had questioned the approval of watershed projects on the supposition that these had the primary end result of increasing crop production. The Bureau of the Budget was not enthusiastic about any programs that might result in increased crop production. The Bureau of the Budget did not give much weight to recreation and other benefits claims of the Department for watershed projects. 1/

The President's feud with Congress over Congressional invasion of Executive prerogatives in relation to the approval of watershed projects under P. L. 566 kept the program at a virtual stand-still for more than a year.

The low regard for the contributions of rural areas to the national well-being was also reflected in the selection of technical assistance services of the Soil Conservation Service as a test case for the shifting of costs of governmental services to the beneficiaries of those services. The shifting of costs for financing rural electrification programs was another example.

In his cabinet meeting of February 11, 1965, President Johnson directed that each department make a list of various services rendered for which charges could, as a practical matter be levied. The Department was already recommending a user charge on technical assistance in soil conservation. The Bureau of the Budget supported the application of user charges wherever practicable. According to Secretary Freeman,

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1/ Elmer Klupp and Lee Day to Howard J. Hjort, February 17, 1966, in John Baker File, History Branch, USDA.

the President "selected this area as a specific example of a fair user charge but one that would be resisted strongly by the Congress and in effect put us on notice that he would expect a very vigorous case to be made and that his recommendations in the budget on this matter would be accomplished." 1/ The proposal was to transfer $20 million of costs for technical services in applying soil conservation services to the soil conservation districts which would collect funds through assessments on landowners as taxes or fees. 2/ However, Congress did not accept this proposal.

Because of the growing needs for additional financing to provide electric and telephone service in the rural areas, Norman M. Clapp, Administrator of the Rural Electrification Administration, initiated consideration of the necessity for some kind of supplemental financing at higher rates of interest in a speech before the annual meeting of the National Rural Electric Cooperative Association in Dallas, March 10, 1964. To the extent that the present 2 percent interest rate on REA financing is held to involve a cost to the Federal Government, he said it can be expected that, from the public standpoint, there will be resistance to providing the full future capital needs of rural electric systems on such a basis if these needs increase as they are presently expected to do so. At the same time, from the REA borrower

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1/ The Secretary to Joe Robertson, February 11, 1965; The Secretary to John Baker, February 11, 1965, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library.

2/ The Secretary to John Baker, February 23, 1965, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library. D. A. Williams to John A. Baker, March 10, 1965, in John Baker File, History Branch, USDA.

standpoint, he continued, there are growing indications that the restrictions on the use of REA present basic loan funds may in the future be an obstacle to the most efficient and effective development of maturing rural systems. He suggested that the rural electric systems through their Association, and REA, undertake a study of the possibilities of a type of intermediate financing for the systems which would on the one hand be free from some of the restrictions placed upon the present basic REA financing and, on the other hand, return a rate of interest which would fully compensate the Federal Government for the cost of its money. 1/

The Bureau of the Budget proposed to shift the financing of the Rural Electrification Program away from appropriated funds and to the private money market. This would have meant an increase in interest rates paid by REA borrowers from 2 percent under government financing to over 5 percent for private financing. The Department opposed this because studies indicated that only 15 to 20 percent of REA borrowers could afford to pay this rate. Secretary Freeman said:

> Because of the central importance of low cost electricity to the economic health of rural areas, this does not appear to be consistent with our hopes for improving the quality of rural life in America. 2/

The Rural Electrification Administration developed a counter-proposal. Both the REA and the BOB proposals called for the creation of an REA Cooperative Bank. The REA proposal, however, provided for

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1/ Remarks of Norman M. Clapp, Administrator, Rural Electrification Administration, before 22nd Annual Meeting, National Rural Electric Cooperative Association, Dallas, Texas, March 10, 1964.

2/ Orville L. Freeman to Charles L. Schultze, November 10, 1965, Administratively Confidential, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library.

continued Federal appropriations at the level of recent years and the use of the Bank for supplementary financing with a gradual shift away from the use of appropriated funds. The controlling objective of the REA proposal was to enable REA borrowers to provide electric service to their customers at rates equal to those prevailing in nearby urban areas. 1/ Central to this issue was the question of low interest rate loans for electric generation and transmission loans because the use-benefit ratio of electric power is governed by the rates the consumer must pay.

The National Rural Electric Cooperative Association developed a proposal similar to that of the Department. The support of this powerful interest group was important in getting Congressional approval for any supplemental financing program for rural electrification. 2/ Norman Clapp, Administrator of the REA felt that if the Administration could not back something quite close to the NRECA proposal then it should make no proposal at all prior to the NRECA meetings in February 1966.

1/ Michael Walsh to The Secretary, December 4, 1965, in John Baker File, History Branch, USDA.

2/ Norman M. Clapp to The Secretary through John A. Baker, December 8, 1965, in John Baker File, History Branch USDA.
John A. Schnittker to The Secretary, December 9, 1965, in John A. Schnittker, Chronological file, Lyndon Baines Johnson Library. Orville L. Freeman to Lee C. White, Special Counsel to the President, December 18, 1965, and attached statement outlining the background of NRECA proposal and comparing it with the BOB proposal, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library. John A. Baker to The Secretary, December 22, 1965 in John A. Baker, Chronological File, Lyndon Baines Johnson Library.

Negotiations between the Department and the Bureau of the Budget in December 1965, and January 1966, led to the development of a proposal for an REA Cooperative bank that both agencies could support. By February 3, they had resolved all but one major issue--the Department insisted that 2 percent loans continue to be available for generation and transmission loans where economic circumstance warranted low interest rates and limiting of funds for such loans. The Department did not want to jeopardize its goodwill with the National Association of Rural Electric Cooperatives and felt that it would be politically unwise for the Administration to do so. 1/ On March 17, 1965, a draft of a bill for supplemental financing for REA was sent by Secretary Freeman to the President of the Senate and the Speaker of the House of Representatives. 2/

The question of coordination of the Natural Resource functions of the Federal Government was a vexatious one. Proposals to create a Department of Natural Resources and transfer to it the Forest Service, some functions of the Soil Conservation Service, and certain functions of the Farmers Home Administration were under more-or-less continuous consideration.

1/ John A. Baker to The Secretary and the Under Secretary, January 4, 1966, in John Baker file; Charles J. Zwick to John A. Schnittker, January 6, 1966, and attachment; Norman M. Clapp to The Secretary through John A. Baker, January 24, 1966, in John Baker file; John A. Baker to Charles L. Schultze and The Secretary to Charles L. Schultze, January 27, 1966, in John Schnittker, REA folder; John A. Baker to The Secretary, February 2, 1966, in John Baker bile; John A. Baker to The Secretary, February 3, 1966, in Lyndon Baines Johnson Library.

2/ Orville L. Freeman to Hubert H. Humphrey, March 17, 1966, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library.

In December 1963, Secretary Freeman sent to Kermit Gordon for comment a memorandum in which he proposed an office for natural resource development to be located in the Executive Office of the President to coordinate the natural resource, conservation, and environmental health functions of the various government departments. It would be similar in structure to the Council of Economic Advisers and the Office of Science and Technology which were already housed in the Executive Office of the President. A year later, Secretary Freeman exhumed this memorandum and sent it to Bill Moyers after a conversation with him on problems of organization in the Executive Branch. Bill Moyers forwarded this memorandum to Kermit Gordon, who objected strongly to this proposal and favored instead the creation of a Department of Natural Resources into which resource development activities of the various departments would be consolidated. If that proved to be not politically feasible, Kermit Gordon favored the creation of a cabinet level committee or commission for water resources coordination comparable to the already functioning President's Advisory Council on Outdoor Recreation. 1/

Secretary Freeman forwarded to Joseph A. Califano, Jr., an article by Marion Clawson in American Forests, July 1965, entitled: "Is Reorganization of Federal Resources Agencies a Mirage." Freeman said that he would concur with most of its conclusions and that a Natural Resources Council, perhaps patterned something along the lines set out in S.938 or

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1/ Orville L. Freeman to The President, December 8, 1964; Orville L. Freeman to Bill Moyers, December 8, 1964; Kermit Gordon to Mr. Moyers, January 11, 1965; Bill Moyers to Orville Freeman, January 12, 1965; James Sundquist to The Secretary, January 22, 1965, in Secretary's Files, USDA (under date January 12, 1965).

a special advisor to the President would be a desirable solution to the problem of inter-agency coordination in the natural resources field.1/

Secretary Freeman expressed his strong opposition to the creation of a Department of Natural Resources in a memorandum to Joseph A. Califano on December 27, 1965. Besides his conviction that the Forest Service and watershed protection functions should remain in the Department of Agriculture because of their close relationship to other land-use programs of the Department, the Secretary asserted that opposition from Congress and from special interest groups "will be vigorous, if not bitter." He quoted the Hoover Commission Report on the Organization of the Executive Branch of the Government (1949) to the effect that competition between agencies was healthy while monopoly could be destructive. 2/

The Water Resources Council was established by the Water Resources Planning Act of 1965, to maintain a continuing study of the adequacy of supplies of water necessary to meet the requirements in each water resource region of the United States, to establish principles, standards and procedures with the approval of the President for Federal participants in the preparation of comprehensive regional or river basin projects, and to make recommendations for needed programs and policies to the President.3/ Membership included the Secretaries of Interior; Agriculture; Army; Health, Education and Welfare; and the Chairman of the Federal Power

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1/ Orville L. Freeman to Joseph A. Califano, Jr., January 5, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

2/ Orville L. Freeman to Joseph A. Califano, Jr., December 27, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

3/ Public Law 89-80, 79 Stat. 244, approved July 22, 1965.

Commission. The first meeting was held on August 6, 1965. 1/ Title II of the Act authorized the creation of River Basin Planning Commissions. These were composed of representatives of States and Federal agencies with functions and programs in the river basin for which a Commission was established.

The creation of the Council did not quiet the discussion on the creation of a Department of Natural Resources. Senator Frank E. Moss of Utah, introduced a bill in the 90th Congress to redesignate the Department of the Interior as the Department of Natural Resources with the attendent shifts in agencies. Three days of hearings were held by the Subcommittee on Executive Reorganization of the Senate Committee on Government Operations, October 17, 19, and 20, 1967. Secretaries Freeman and Udall both testified against the proposal. They were joined by representatives of the Army and Navy, which would have had programs transferred to the new agency. The Bureau of the Budget testified that they were not prepared to support such a reorganization "at this time." 2/

1/ The Secretary to John Baker, August 6, 1965.

2/ U. S. Congress, 90th, 1st Sess., Senate, Subcommittee on Executive Reorganization of the Committee on Government Operations, Hearings on S. 886. U. S. Government Printing Office. Washington, 1968.

RECREATION

One of the substantive achievements of the Johnson Administration has been the construction of a coordinated Federal policy on the management of public lands for recreation use. Much of the precedent making progress in this field was achieved during Secretary Freeman's two-year tenure (1964 to 1966) as Chairman of the President's Advisory Council on Outdoor Recreation. 1/ This Council, composed of the Secretaries of Agriculture; Commerce; Defense; Health, Education and Welfare; Interior; and the Chairman of the Tennessee Valley Authority, was established in 1962. In 1958, an Outdoor Recreation Resources Review Commission, established by Congress had launched a 3-year study which revealed the magnitude of outdoor recreation activity and the prospect that demand would double by 1976, and triple by the year 2000. It also revealed that recreational facilities were most scarce in areas of dense population. The Advisory Council was one outgrowth of this study. Another was the creation of the Bureau of Outdoor Recreation in the Department of Interior which was supposed to coordinate the recreational programs of all Federal agencies. A program for broadening the services of the Department of Agriculture for developing outdoor recreation facilities on private land and an intensification of programs to establish recreation facilities on National Forest land were also results of the study. From 1962 to May 20, 1968, for example, 7,810 rural landowners and users had turned to recreation development as their principal source of income, while 48,000 had established one or more recreation enterprises with the aid of Soil Conservation Service technicians.

1/ USDA Press Release No. 1293-66, April 27, 1966.

The functions of the President's Advisory Commission on Outdoor Recreation were to coordinate recreation programs of various agencies of the Federal Government, to reconcile differences, and to advise on policy formation. This was no easy assignment. In 1964, for example, a seven-year jurisdictional dispute between the Forest Service and the Army Corps of Engineers over the management of recreational facilities at the Allegheny Reservoir came to a head. This conflict had threatened to disrupt recreational planning for a large, nearly completed water impoundment near the population centers of western Pennsylvania, New York and Northeastern Ohio. The Bureau of Outdoor Recreation had studied the area and made a report recommending that Federal lands around the reservoir be placed under the jurisdiction of the Forest Service of the Department of Agriculture. The Corps of Engineers did not accept the recommendation. Secretary Freeman took the issue directly to Secretary of Defense Robert S. McNamara, and agreement was reached at a conference on July 10, 1964. 1/ Then, at the July 29, 1964, meeting of the President's Advisory Council on Outdoor Recreation, the recommendations of the Bureau of Outdoor Recreation were approved. 2/

1/ Orville L. Freeman to Cyrus R. Vance, July 10, 1964; Orville L. Freeman to Robert S. McNamara, July 10, 1964; Orville L. Freeman memorandum for the files, July 29, 1964; Orville L. Freeman to Stewart L. Udall, July 29, 1964; Orville L. Freeman to George Reedy, July 30, 1964, in Orville L. Freeman, Chronological File, Lyndon Baines Johnson Library.

2/ USDA Press Release nos. 2325-64, July 10, 1964; 2526-64, July 29, 1964.

The Council, which heard testimony from Federal and State agencies and private interests, met in executive sessions to arrive at decisions. In 1965, three significant policy guides governing the management of Federal lands were approved. One established guidelines to direct Federal investment in outdoor recreation. The second spelled out, for the first time, a new uniform system of reporting recreation use by Federal agencies. The third set forth guidelines for the management of Federal lands for recreation by Federal, State, county, local, and private agencies. 1/

The Council also adopted a policy statement calling for the establishment of a limited number of National Recreation Areas. This policy specified criteria for selection of these areas and agreed that they would be established only by Act of Congress. It issued a policy statement on the water pollution and public health aspects of outdoor recreation. It encouraged the development of a national program for scenic roads and highways. 2/ One of the main values of the Council, however, was the general improvement in inter-agency communication and understanding.

1/ USDA Press Release no. 3261-65, October 20, 1965.

2/ Orville L. Freeman, Statement at the open meeting of the Recreation Advisory Council before the President's White House Conference on Natural Beauty, USDA Press Release no. 1633-65, May 25, 1965, USDA Press Release no. 879-66, March 22, 1966.

Recreation

To be classified as a National/Area, an area must generally have 20,000 or more acres, be significant enough to draw out-of-state visitors, be within 250 miles of urban population centers, readily accessible, and require Federal investment because of the size of development needed. On October 4, 1967, Secretary Freeman and Secretary Udall announced that the Flaming Gorge, located in Utah and Wyoming would be recommended to Congress as a National Recreation Area under the jurisdiction and management of the Forest Service. 1/ The Mount Rogers National Recreation Area in Southwest Virginia in the Jefferson National Forest was established by Congress in 1964. 2/ The Forest Service administers three National Recreation Areas. The third is the Spruce Knob - Seneca Rocks National Recreation Area in West Virginia.

Secretary Freeman served a two-year term as Chairman of the President's Advisory Council on Outdoor Recreation, ending April 27, 1966. 3/ He felt that the Recreation Advisory Council was the best available possibility for interdepartmental coordination in the natural resources area in 1965. He said: 4/

> ...we ought to take every opportunity to enhance it's[sic] prestige and get the President's label on it and get people who are a bit edgy about it in line, including the Bureau of the Budget.

1/ USDA Press Release no. 3157-67, October 4, 1967.

2/ USDA Press Release No. 2369-68, July 24, 1968.

3/ USDA Press Release No. 1293-66, April 27, 1966.

4/ The Secretary to John Baker, February 23, 1965, in Orville L. Freeman Chronological file, Lyndon Baines Johnson Library.

The Secretary planned to use his presentation to the White House Conference on Natural Beauty as an opportunity to build up the stature of the Recreation Advisory Council and in the process build an argument against a Department of Natural Resources. 1/

However, mounting frustrations with the Recreation Advisory Council led Secretary Freeman to seek a conference with Secr tary Udall to discuss its future. Secretary Freeman said: 2/

> After all, the Council was really our creation. The progress it has made is because we have given it strong support and a good bit of time. I am not yet convinced in my mind that it is impossible to make it work....
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> We are able to speak honestly and frankly and as long as we can do this, and approach our problems with a spirit of mutual respect and give and take, I am confident we can continue to write some history here in which we can both be proud.

Secretary Freeman, on December 27, 1965, said: 3/

> In the past there has been destructive competition on occasion between Interior and Agriculture. This is now not the case. The Bureau of Land Management and the Forest Service are cooperating smoothly. The Park Service and the Forest Service have resolved all conflicts over public lands with the exception of the North Cascades Area in Washington. Secretary Udall and myself have moved over these past five years to resolve amicably and effectively each traditional conflict involving management as a park or as a forest. The competition between the Forest Service and the Park Service to provide good public service in the field of recreation is a healthy one. To combine these activities would tend to establish a monolithic government recreation operation which would be monopoly in its nature and would tend towards complacency with a great concentration of political power.

1/ The Secretary to John Baker, March 26, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

2/ Orville L. Freeman to Stewart L. Udall, September 10, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

3/ Orville L. Freeman to Joseph A. Califano, Jr., December 27, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

At the meeting of the Recreation Advisory Council, held in August 1965, it was agreed to draft a new executive order establishing a President's Advisory Council on Recreation and Natural Beauty and a Citizens' Advisory Committee on Recreation and Natural Beauty. 1/ The Council was established by Executive Order 11278 of May 4, 1966, amended by Executive Orders 11359A of June 29, 1967, and 11402 of March 29, 1968. The Vice President is Chairman of the Council. The Citizens' Advisory Committee on Recreation and Natural Beaury was established by the same Executive Order. Laurance Rockefeller is Chairman of the advisory committee.

Early in 1966, the Department of Agriculture began welding an overall Department policy on recreation from the bits and pieces assigned under various legislative authorizations to various Department agencies. Under the new policy recreation was recognized as a primary Department mission. National Forest recreation facilities were to be expanded as fast as funds permitted to help keep pace with the explosion in recreation visits to the National Forests. But funds for recreation programs on public lands, whether from taxes or from user fees, even with cost sharing by local communities as under the Greenspan program, would never be sufficient to provide enough recreation facilities, especially in the densely populated eastern half of the United States. Consequently, on May 3, 1967, Secretary Freeman announced new Department policy guidelines for promoting recreational development on private lands. USDA agencies were

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1/ Orville L. Freeman to Stewart L. Udall, September 16, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

directed to provide the technical, educational and financial help needed for strengthening existing recreational enterprises and for launching new ones. Recreation research was to be greatly expanded to provide technical and economic data for the establishment of viable, income-producing recreational enterprises. The establishment of recreational facilities in connection with each watershed facility installed under Federal cost-sharing programs would be strongly encouraged. 1/

The Farmers Home Administration makes loans to non-profit associations and family farmers for developing outdoor recreation facilities. Supervised credit for construction and the purchase of equipment for swimming facilities, hunting preserves, golf courses, horseback riding, boating and camping facilities, and cabins and cottages are available under this program. 2/ Amendments in 1966 to Title III of the Bankhead-Jones Act authorized FHA rural renewal loans to local non-profit organizations engaged in recreation. The President asked Congress in 1967, for broadened loan authority to bolster the farm-based recreation development program. 3/

One means of stretching limited public funds was the development of recreational facilities on Federal lands by private industry. One of the largest was the Mineral King Development in Sequoia National Forest in California. This project envisaged a year-round vacation center with primary emphasis on a ski area. Competition among commercial companies for the contract to develop this area was lively and the final award of

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1/ Orville L. Freeman, Remarks to the National Recreation and Park Association Federal Assistance Institute, May 3, 1967, USDA Press Release No. 1384-67.

2/ USDA Press Release No. 3782-66, November 29, 1966.

3/ Orville L. Freeman, Remarks to the National Recreation and Park Association Federal Assistance Institute, May 3, 1967, USDA Press Release No. 1384-67.

the contract to Walt Disney Productions was decided only after consideration by a top level committee consisting of Assistant Secretary John Baker, Executive Assistant to the Secretary Thomas R. Hughes, and Chief Edward Cliff of the Forest Service. 1/

CONSERVATION

Whereas earlier conservation objectives of the Federal Government had concentrated on preservation, the conservation objectives of the Administration of President Johnson were oriented toward restoration and present and future use. Uses include present and future timber supplies, pure water, clean air, supply of fertile agricultural land adequate to meet present and future requirements for food and fiber, recreation, space, and aesthetic satisfactions. It was recognized that conservation practices needed to be applied not only on public forest and grazing lands and on agricultural lands, but on land used for industry, for urban living, and for public facilities such as highways.

Fortunately, a good foundation had been laid by previous administration.

In April 1956, the Secretary of Agriculture directed the USDA agencies with major responsibilities for land use and conservation to cooperate in making "reasonable estimates of the magnitude and urgency of the various conservation measures needed to maintain and improve the country's productive capacity for all the people." 2/ The National Inventory of Soil and Water Conservation Needs was organized under the leadership of the Soil Conservation Service. The first data from the inventory were published in 1962, but the summary and analysis of the data collected was not published until 1965. Research and refinement of data has continued. 3/

1/ USDA Press Release nos. 3352-65, October 27, 1965; 4032-65, December 17, 1965.

2/ Secretary's Memorandum, no. 1396, April 10, 1956.

3/ Soil and Water Conservation Needs, A National Inventory, Miscellaneous Publication no. 971, U.S. Department of Agriculture, Washington, D. C., 1965.

The data in this inventory provides a basis for planning the allocation of resources and constructing programs. The Conservation Needs Inventory pointed out that to do the conservation job properly would require an annual investment of $2.5 billion a year. Investment in conservation during the first half of the 1960's amounted to about one third of that amount. Budgetary restrictions have prevented a significant expansion in the amount of public funds available for investment in conservation.

Needed additions to publicly owned lands, particularly in the densely populated eastern United States have been made possible by two programs; Greenspan and the Land and Water Conservation Fund.

The Food and Agriculture Act of 1965 authorized the Secretary to use funds appropriated for cropland adjustment for grants "to other Federal agencies, States or local government to acquire cropland for the preservation of open spaces, natural beauty, the development of wildlife or recreational facilities, or the prevention of water pollution under terms and conditions consistent with and at costs not greater than those under agreements entered into with producers." Under this authorization the Department developed the "Greenspan" program under which it made agreements to make lump sum payments to public agencies for the acquisition of land up to 50 percent of the market value of the land. The act also authorized cost-sharing for conservation practices applied to such land. 1/ The first "Greenspan" agreement was signed

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1/ Public Law 89-321, 79 Stat. 1208-1209, November 3, 1966.

on May 26, 1966. 1/ By November 30, 1966, 15 Greenspan grants had been authorized involving $83,086 for land purchases and $27,408 for cost-sharing conservation measures. By July 1967, 139 grants had been made in 37 states. 2/

Under the Land and Water Conservation Funds Act of 1964, the Department of Agriculture acquired a new 18,000 acre area of lakes and woods within a day's drive of Chicago, Illinois; Milwaukee and Madison Wisconsin; and Duluth, Minnesota. It became a part of Ottawa National Forest. 3/ Other badly needed recreational lands in the East have been acquired by the Federal government under this act. Grants from the fund may also be made to state and local governments to finance the acquisition of land for public use.

Conservation on public lands was implemented through the Wilderness system and recommendations for the establishment of a Wild Rivers system.

1/ USDA Press Release no. 1603-66, May 26, 1966.

2/ USDA Press Releases no. 3813-66, November 30, 1966; no. 2203-67, July 11, 1967.

3/ USDA Press Release no. 2483-66, August 4, 1966.

Secretary Freeman issued a policy statement on wilderness, wild and primitive areas and the Boundary Waters Canoe Area on April 27, 1961. The Department recognized the fact that wilderness type areas had become a relatively scarce resource, available for preservation only on Federal and State lands. It asserted that a large part of the existing primitive areas in the National Forests would be needed as wilderness to provide for the future wilderness needs of the United States. Wilderness areas are by definition over 100,000 acres predominantly valuable as wilderness and so designated by the Secretary of Agriculture after open hearings. Wild areas are between 5,000 and 99,999 areas similarly designated by the Chief of the Forest Service. Roads, commercial timber cutting and permanent human structures, except water storage structures, are prohibited in such areas. The Department's policy is to resist any attempts to invade or reclassify to other uses any wilderness type area.

Under the Wilderness Act of 1964, over nine million acres of National Forest lands that had been classified by the Department as wilderness areas were given statutory protection. The act directed that an additional 5 million acres of National Forest lands be studied by the Department for recommendation to Congress as suitable additions to the National Wilderness Preservation System.

Secretary Freeman testified before the Senate Committee on Insular Affairs in favor of the Bill to designate the San Rafael Wilderness, in Los Padres National Forest in California, the first addition to the National Wilderness System since it was created by the Wilderness Act of 1964. 1/

1/ U.S. Congress, 90th, 1st Sess., Senate, Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, Hearings on S. 889, April 11, 1967.

President Kennedy set forth the objective of covering the entire Nation with comprehensive river basin planning studies by 1970 and of detailed plans for subbasins within regions in order to develop a backlog of plans which would be converted to construction programs as circumstances might require. The execution of this project required coordinated research by the Department of the Army, the Interior, Agriculture, and Health, Education and Welfare. To coordinate this comprehensive planning effort in Washington, the four departments used an Interdepartmental Staff Committee. The participation of the Department of Agriculture was outlined in River Basin Memorandum no. 10 as follows:

> The Department of Agriculture analyzes and develops projections of the agricultural, forestry and related economies, their use of land and water resources, and their relationship to the total economy of the basin or region. It studies and investigates agricultural, rural, and upstream water and related land resource problems and needs for development. The water problems analyzed include flood water and sediment damage to rural lands and properties, impaired drainage of agricultural lands, agricultural drought problems and irrigation requirements, water needs for livestock and rural domestic use, recreation, fish and wildlife, and forest-based industries. It inventories and analyzes potential water and related land resource development in upstream watersheds including an analysis of water storage capacity, the effect of land use and management practices on water quality and flow characteristics, and the potential hydrologic effect of agricultural, rural, and upstream watershed developments. Consideration also is given to the effects of potentials of water

resource development projects on lands and programs administered by the Department. The Department participates in the formulation of coordinated comprehensive plans for, or approaches to, water and related land resource development including appraisals of the economic impact of the agricultural aspects of improvements considered for inclusion in them. This work is carried out through its Soil Conservation Service, Forest Service, and Economic Research Service in coordination with other agencies to avoid duplication.

The proposed Wild Rivers Act would establish a national system of relatively free-flowing, unpolluted rivers that preserve scenic character and natural beauty of the waterways. Land up to 300 feet on either side of designated rivers would be protected. Where wild rivers flow through private lands, maximum use would be made of scenic easements.

Conservation on privately owned lands had long been a responsibility jointly shared by the Soil Conservation Service and the Agricultural Stabilization and Conservation Service. In general, the Soil Conservation Service provides technical consultation and services such as soil surveys, engineering planning for small water impoundments, contouring, terracing and grassed waterways. The Agricultural Stabilization and Conservation Service provided payments for converting cropland to conservation uses and cost-sharing for applying conservation practices to such lands.

The 1962 Amendments to the Watershed Protection and Flood Prevention Act authorized recreation as a major purpose of projects and provide for cost-sharing on such developments. Federal loans may be made for the non-Federal share of the costs.

On January 13, 1965, Donald Williams, Administrator of the Soil Conservation Service, proposed that the President recommend to Congress that the limitation on flood water detention capacity of upstream reservoirs be raised from 5,000 acre feet to 12,500 acre feet under the Watershed

and Flood Prevention Act as amended by the Food and Agriculture Act of 1962. 1/ This recommendation was authorized by Congress as Public Law 89-337, (79 Stat. 1300) approved November 8, 1965. The utility of these reservoirs as bases for recreational developments was greatly enhanced by this increase in size.

The Cropland Adjustment program replaced the Soil Bank program in the Food and Agriculture Act of 1965. This program provided for transferring land from crop production to non-agricultural uses under contracts of 5 to 10 years duration with producers. Annual payments to producers were not to exceed 40 percent of the value of crops which might otherwise have been produced on the land. In addition, producers were entitled to cost-sharing for conservation practices applied to the land. 2/ Among the approved non-agricultural uses was recreation.

1/ D. A. Williams to John A. Schnittker, January 13, 1965, in John A. Schnittker, Chronological File, Lyndon Baines Johnson Library.

2/ Public Law 89-321, (79 Stat. 1206-1208) November 3, 1965.

NATURAL BEAUTY

The preservation and development of the out-of-doors to provide recreation facilities and prevent the deterioration of the quality of environment was an important building block of President Johnson's Great Society. In his speech at the University of Michigan on May 22, 1964, he said: 1/

> We have always prided ourselves on being not only America the strong andAmerica the free, but America the beautiful. Today that beauty is in danger. The water we drink, the food we eat, the very air we breathe, are threatened with pollution. Our parks are overcrowded. Our seashores overburdened. Green fields and dense forests are disappearing.
>
> A few years ago we were greatly concerned about the Ugly American. Today we must act to prevent an Ugly America.

President Johnson said in his Message on Natural Beauty, February 8, 1965, 2/

> We must not only protect the countryside and save it from destruction, we must restore what has been destroyed and salvage the beauty and charm of our cities. Our conservation must not be just the classic conservation of protection and development, but a creative conservation of restoration and innovation. Its concern is not with nature alone, but with the total relation between man and the world around him. Its object is not just man's welfare but the dignity of man's spirit....This means that beauty must not be just a holdiay treat, but a part of daily life. It means not just easy physical access, but equal social access for rich and poor, Negro and white, city dweller and farmer.

1/ Public Papers of Lyndon B. Johnson, 1965, V. 2, p. 155-165.

2/ Public Papers of Lyndon B. Johnson, 1965. Special Message to Congress on Natural Beauty, February 8, 1965, Vol. 1, pp. 164-165.

In this message the President brought together into one package the diverse objectives of government programs affecting our natural environment and recommended new directions for achieving those objectives. He announced that he would use funds made available under the Land and Water Conservation Fund to acquire lands needed to establish a list of national recreation, seashore and lakeshore areas. He pointed out the need for beautification of the Nation's highways and the establishment of a national system of scenic roads and parkways.

He said: "the time has come to identify and preserve free-flowing stretches of our great scenic rivers before growth and development make the beauty of an unspoiled waterway a memory." He proposed legislation to establish a Wild Rivers System.

He requested that a study be made of trails. The report "Trails for America" was prepared cooperatively by the Departments of Interior and Agriculture, and released by the Bureau of Outdoor Recreation on January 12, 1967. The report recommended the establishment of a nationwide system of metropolitan parks and forests; and long National Scenic Trails. It urged expansion of State and Federal park and forest trails and the development of hiking, bicycling, and horseback trails in and around urban areas. The immediate establishment of four major national scenic trails was recommended. Five other long trails were recommended for detailed study, and 16 more for future study. The report urged cooperative effort to fill the urgent need for trails in and near metropolitan areas. An Administration Bill to establish such a system of trails was

submitted to both houses of the 89th Congress, but no hearings were held. 1/ Similar legislation was submitted to the 90th Congress, and Secretaries Freeman and Udall testified in its support. 2/

In this message, the President mandated the Department of Agriculture to work with local people to develop a cooperative program to improve the beauty of privately owned rural land. This section was protested by the Bureau of the Budget on the ground of cost. 3/

On April 30, 1965, Secretary Freeman issued a policy directive to USDA agencies to do everything in their power to help beautify rural America. 4/

Federal agencies were asked by the President to help communities and States in their beautification programs by providing information and technical assistance. The Department published, in 1965, a booklet entitled "The American Outdoors--Management for Beauty and Use." This booklet was based on the experience of the Forest Service in sixty years of restoring natural beauty to places where man's hand had altered the appearance of the landscape. 5/

1/ USDA Press Release No. 109-67, January 12, 1967.

2/ U. S. Congress, 90th, 1st Sess., Senate, Committee on Interior and Insular Affairs, Hearings on S. 827 "To Establish a Nationwide System of Trails and for other purposes," March 15, 1967.

3/ The Secretary to John Baker, February 11, 1965, in Orville L. Freeman, Chronological file, Lyndon Baines Johnson Library.

4/ USDA Press Release No. 1374-65, April 30, 1965.

5/ USDA Press Release No. 1611-65, May 21, 1965.

The White House Conference on Natural Beauty was held May 24-25, 1965. Laurance S. Rockefeller was Chairman. The President addressed the Conference on May 25, 1965. 1/ USDA's Soil Conservation Service put together a display of 51 enlarged color photographs in an "America the Beautiful" presentation. Later, these photographs were reproduced by the Government Printing Office for sale to the public singly or in sets. The Forest Service, in cooperation with the National Audubon Society produced a new color motion picture "Islands of Beauty."

A national conference on Youth for Natural Beauty was held in June 1965. Luci Baines Johnson was honorary chairman; Donna Mae Pace was the chairman.

EDUCATION

Conservation education has emerged as a major objective of Department programs during the 1960's. Since most environmental pollution and resource destruction is caused by the activities of men, to protect the future of our country, men must be taught to protect as well as to appreciate the natural world. This need was made more critical by the population explosion which was gobbling up open spaces for home building sites; the industrial expansion which was concentrated on the urban fringes; the explosion in the volume of waste materials produced by a technological society, and the explosion in the demand for outdoor recreation.

1/ Public Papers of Lyndon B. Johnson, 1965. Special Message to Congress on Natural Beauty, February 8, 1965, Vol. 1, pp. 164-65.

2/ USDA Press Release No. 1792-65, June 4, 1965.

The Forest Service, the Soil Conservation Service, and the Extension Service had all included conservation education as a part of their programs for many years. These organizations have expanded their activities. In 1968, a pilot project called "Outdoor patterns for People" was launched. The plan is to reach out to community groups such as schools, youth groups, community groups, and others with teaching materials and leadership training,and to draw these groups into participation in out-of-door activities oriented toward enjoyment and understanding the natural environment.

RURAL DEVELOPMENT

The rural development programs of the Department are inseparable from and indispensable to the natural resource programs. The explosion of the urban areas into the countryside in search of permanent living space or transient recreation has added new urgency to rural development. Adequate supplies of potable water, electric power, telephone services, and waste disposal are essential to population dispersal whether it be permanent or temporary. The background and present status of rural development programs including the concept of rural-urban balance are discussed in Appendix A.

AGENCY PROGRAMS

The following sections of this chapter were prepared by the agencies having major resource responsibilities: Agricultural Stabilization and Conservation Service, Forest Service, Rural Electrification Administration, and Soil Conservation Service.

AGRICULTURAL CONSERVATION PROGRAM

The Agricultural Conservation Program (ACP) is authorized by sections 7-17 of the Soil Conservation and Domestic Allotment Act (of February 29, 1936) (16 U. S. C. 590 g-q) "...to secure...

1. preservation and improvement of soil fertility;
2. promotion of the economic use and conservation of land;
3. diminution of exploitation and wasteful and unscientific use of national soil resources, and
4. the protection of rivers and harbors against the results of soil erosion in aid of maintaining the navigability of water courses and in aid of flood control..."

Among specific areas of emphasis during the period (through and by the farmer committee system) were:

(1) Continuing to stimulate a substantial percentage of commercial farmers, ranchers, and woodland owners to carry out needed soil, water, woodland, and wildlife conservation practices on their farmlands.

(2) Encouraging those who had been doing little or no conservation work to undertake significant conservation programs or practices.

(3) Giving particular attention to the needs of low income farmers by providing assistance on a more liberal basis than for other farmers.

(4) Initiating assistance for wildlife conservation and beautification practices which also have soil and water conservation benefits.

(5) Developing numerous ACP special projects to help farmers with difficult conservation and economic problems, including those in other special conservation project areas, better solve those problems.

(6) Updating program policies better to encourage enhancement of the total environment and to meet special conservation problems indicated by the inventory of soil and water conservation needs or otherwise.

Despite rising costs of things farmers buy in comparison with the price of things they sell, the owners and operators of about one million farms each year (well over two million in five years) have continued to participate in the same dollar level of program authorizations (until 1968) for the last 14 years. The farmer pays a portion of the cost (an average of about one-half) of the conservation practices approved for his farm, and the ACP pays the balance.

The ACP is applicable to privately owned farmland, state and local government owned farmland, and federally owned cropland. Funds for each annual program are appropriated by the annual Department of Agriculture and Related Agencies Appropriation Act, which also specifies the level of funds at which the next year's program is to be operated. State allocations are made on the basis of a conservation needs formula specified in section 15 of the Soil Conservation and Domestic Allotment Act, as amended.

Changes in the national ACP are developed annually by a National ACP Development Group. This unit consists of representatives of ASCS, Forest Service, Soil Conservation Service, Economic Research Service, and Rural Community Development Service. In developing recommendations, the National ACP Development Group takes into consideration recommendations from State

and county ACP development groups. Changes in the national ACP are approved by the Secretary.

In each of the years 1964 through 1967, ACP was carried out at an authorized level of $220 million a year. A revised, uniform ACP national operating procedure was initiated in all States. Studies were undertaken to strengthen the program's service to farmers who needed it most to get conservation work done on their farms--both for their own good and for the public interest.

1964 ACP--Specific program and procedural changes were as follows:

1. General Program Principle 2 was amended to provide that "Preference should be given to practices that help in establishing vegetative cover." The purpose was to encourage practices with enduring conservation benefits and to help farmers convert cropland used for surplus crops to other uses. No changes were made in practive requirements.

2. Non-discrimination provisions were added to the national ACP in 1964.

3. A change was made in program provisions to provide that a producer who was a member of a grazing association should be considered as the owner of grazing association land for ACP purposes.

4. State allocations of funds were based on conservation needs subject to no reductions in a State's share of more than 1 percent below the State's preceding year proportion of the national fund.

5. Special emphasis was placed (for 1964 and following years) to start practices on land where conservation reserve program contracts were

expiring which would keep this land in conservation use, rather than have it return to the production of surplus crops.

6. Emphasis on reaching nonparticipating farms (especially low income farms) that were doing little, if any, conservation work was continued, and another 216 thousand of such farms (20 percent of all participants) participated in the 1964 ACP.

7. A revised, uniform ACP national operating procedure was begun in all States. This simplified instructions and operations, and helped obtain the most needed conservation work at the least program and administrative costs.

8. ASCS updated and reemphasized an increased effort to work with other public officials (especially county government officials) and conservation-oriented organizations on how the ACP and other ASCS programs could serve both farm and nonfarm people.

9. ASC State committees worked with selected county committees to develop and to carry out ACP special projects to solve problems not being solved adequately through the regular ACP. These projects were to provide soil and water conservation benefits to meet legislative requirements for the use of ACP funds. The projects were intended to result in improvement of the economic conditions of the farmers and of the community, and were designed to not unduly aggravate current surpluses of agricultural commodities.

10. Adopted an official ACP insignia to be printed on ACP publications and otherwise denote the partnership formed between the farmer and the government in carrying out needed conservation practices.

11. The Administrator updated and reemphasized the ASCS policy statement on the role of the Agency (especially through the ACP) in watershed programs. The number of farms in watersheds which participated in ACP in 1964 increased to 136,000 with ACP cost-shares of $22.8 million, about one-half of which was in Public Law 566 watersheds. Accomplishments in these watersheds, among many other practices, included 602,000 acres of enduring vegetative cover established, 24,000 acres of trees planted, 296,000 acres terraced, and 10,500 water impoundments.

12. New policy statements on ASCS assistance were issued in 10 resource conservation and development (RC & D) and five rural renewal (RR) project areas which were established by the Secretary under authority of section 102 of the Food and Agriculture Act of 1962 (Public Law 87-703). These dealt especially with land treatment measures, primarily but not solely under the ACP. The 1964 ACP cost-shares extended to about 17,000 farms in these project areas amounted to about $3 million.

1965 ACP--Modification of the program were as follows:

1. The program for 1965 continued the 1964 program without change.

2. States were requested to continue and expand the applicability of special ACP projects which had been initiated in several States in 1964.

3. A uniform operating procedure with respect to program forms was instituted--to reduce the number of different forms used, to simplify the accumulation of statistics, and further to reduce the cost of administering ACP.

4. A contest called "ACP County Display of the Month" was instituted as a means of better informing the public on conservation needs and accomplishments. "ACP poster kits" were provided for field offices to further this effort.

5. The soil laboratory at Beltsville, Md., was closed on June 30, 1965. States using the laboratory were asked to make necessary arrangements for analyzing lime and fertilizer samples needed for approving vegetative cover establishment or improvement with ACP help.

6. Instructions for ACP assistance through pooling (group enterprize) agreements were revised and new emphasis given to community benefit conservation practices.

7. The relationship and contributions of the ACP to improve outdoor recreation resources were emphasized to field offices--due primarily to the increasing public interest in seeking outdoor recreation on privately owned farmlands. Informing county government officials and outdoor recreation-oriented organizations about ASCS programs that could help in this regard was encouraged, along lines indicated by PA-603, "The Sportsman's Stake in Agricultural Conservation."

8. County offices were asked to identify the remaining farms which had not done any significant conservation work during at least the past 5 years and to encourage ASC community committeemen and representatives of other interested agencies and organizations to try to stimulate the farm owners and operators to do some conservation work in 1965. About

thousand such farms participated in the 1965 ACP and received

million of cost-share assistance.

9. The 30-year contributions of ACP to forestry practices (and the resulting gains in soil, water, and wildlife conservation from 4.3 million acres of trees and shrubs planted, 3.3 million acres of timber stands improved, and 140 thousand miles of firebreaks and firelands) were emphasized and further efforts encouraged.

10. USDA (with full participation by ASCS) initiated the updating of the previous National Inventory of Soil and Water Conservation Needs.

1966 ACP--Program modification were as follows:

1. Several changes were made to bring about further shifts in program assistance from practices that could have relatively greater effect in stimulating crops in surplus supply to conservation practices which would help achieve shifts from row and small grain crops to less intensive uses. Upon urging by the Bureau of the Budget, States were asked:

a. To keep land to which lime and fertilizer were applied in eligible conserving crops for two consecutive crop years following application (to obtain a 50 percent reduction in the amount being spent for practices involving the use of these materials), with exceptions to be authorized only when the State ACP development group established that the conserving cover could receive the principal benefit from the material within a shorter period of time. States were later permitted to make the final determination as to the conditions under which lime and fertilizer could be applied in the State in a manner that assured primary conservation benefits rather than increased production of row crops and small grains.

b. To reduce cost-sharing for drainage and irrigation by 50 percent as compared to 1964--later modified to permit the State ACP development group to determine the amount of reduction that they could obtain without serious adverse effect on conservation accomplishments under the program for the State.

Plans to enforce this reduction were worked out with State committees with recognition of the fact that it might take more than 1 year to accomplish the goal. Strong protests against the directive to reduce expenditures for these practices were made by farmers and others with conservation interests.

In the conference report on USDA appropriations for the 1967 fiscal year the Congress directed the Secretary to abstain from forcing a reduction in these practices and instructed him to leave to the ACP Development Group at the State and county levels the decision as to whether such changes should be made and to what extent. The Congressional directive was obeyed.

Most States did make reductions in expenditures for these practices, although some refused to make any reduction. There was a substantial reduction nationally in expenditures for these practices in the 1966 program. (However, there was a substantially offsetting increase in the amount spent in 1967 over the amount that had been spent in 1966 for these measures.)

2. Cover crop practices were amended by removing a statement limiting cost-sharing for fertilizer to the minimum quantity needed for establishment of the cover crops.

3. A provision was added to the drainage practices and to the practices covering the leveling of land for irrigation and the construction of irrigation reservoirs to provide that land on which these practices were performed, if eligible only because the land was normally used for hay or pasture, must be devoted to these crops for at least five years following performance of the practice.

4. Specifically identified wildlife conservation practices covering (1) the establishment of vegetabive cover providing wildlife food plots and habitat, (2) the development or restoration of shallow water areas for wildlife, and (3) the construction of ponds or dams for wildlife, were added to the program. Authorization to develop additional wildlife practices were continued.

5. The definition of an agricultural producer for the purpose of the ACP was altered to make it clear that an owner, landlord, or tenant of land normally used to produce wildlife habitat or food for wildlife, might qualify as a person eligible for ACP assistance. This liberalization was undertaken in recognition of the public interest to increase wildlife conservation.

6. An authorization for the development of special beautification practices with soil and water conservation benefits was added to the program. About 5,600 such "projects" or "practices" were cost-shared during this first year the practice was offered.

7. Authority was added to the program to permit increased rates of cost-sharing for low-income families--farmers with gross family income farming or ranched $3,000 or less.

8. Provisions of the ACP and operating instructions with regard to cost-sharing for family groups, partnerships, and other multiple entity cases were revised to simplify and to provide improve guidelines for handling these types of cases.

9. Procedure for approving special practices, county practices, practices to meet new conservation problems, emergency conservation practices, wildlife practices, beautification-conservation practices, and increased rates of cost-sharing, for individual counties were modified to permit State ACP development groups to extend approval of such practices and increased rates from the previous year to the current program year and to additional counties where similar conditions currently existed. These instructions did not apply to ACP special projects.

10. The national ACP was revised to provide that a "tenant" includes a member of a grazing association who participates in the operation of grazing land owned or leased by the association. This permits the member to receive cost-sharing for measures performed by him on grazing association land. But cost-sharing shall not be approved for both the grazing association and the individual members on the same land.

11. ACP provision were modified to permit farmers (who needed to break out vegetative cover established with ACP cost-shares) to plant increased crop allotments and bases without penalty, provided it did not create a serious erosion hazard to the land.

12. The instructions were amended to extend the period for establishing eligible grasses and legumes on land, to which lime and rock phosphate had been applied with ACP cost-sharing, when the land was needed to permit the planting of an increased crop allotment or base.

13. States were asked to set aside a State reserve of 15 percent for new participants, ACP special projects, and beautification-conservation practices. State committees were authorized in July to release for other practices the portion of the reserve that they determined would not be needed for these purposes.

14. In support of increased emphasis on water conservation and clean water, ASCS issued two leaflets, PA-689, "Watershed Work Begins on the Farm and PA-702, "Protecting your Water Supply at its Source."

15. On the basis of Title VI of the Food and Agriculture Act of 1965 (Public Law 89-321), it became possible in 1966 to preserve for a farm its cropland, crop acreage, and allotment history applicable to acreage diverted from the production of crops in order to establish or maintain vegetative cover or other wise approved practices (including ACP practices on such land) for the purpose of any Federal program under which the history is used as a basis for an allotment or other limitation for participation in such program.

1967 ACP--Program modifications were as follow:

1. The 1967 ACP was announced July 15, 1966, effective July 1, 1966, at a program level of $220 million. No major change in policy was made.

2. Assistance was authorized to impound water for general agricultural use, as well as the previously authorized uses for livestock, irrigation, fish, wildlife, forest fire control, and retention in erosion control. ACP cost-sharing for these practices reached a cumulative total of two million structures.

3. Noxious weed control practices, which had been authorized as special county practices for several years, were reinstated in the national list.

4. Reserves to insure adequate funds for new participants, ACP special projects, and beautification-conservation measures were required to be set aside by ASC State committees.

5. State ACP fund allocations were issued September 8, 1966, using the existing conservation needs data and with a maximum one percent adjustment downward in the share for any State from its 1966 proportion of the fund.

6. A policy of permitting cost-sharing for fencing along farm boundaries and public roads was adopted as a "county" practice where local committees determined that it otherwise would be impracticable for the farmer to maintain cropland in vegetative cover. This practice applies particularly to acreage previously diverted under commodity programs, and the Conservation Reserve Program.

7. Due to the importance of avoiding the stimulation of production-increasing measures with respect to several crops, States were requested to continue emphasis on directing program funds to needed practices which would provide maximum conservation benefits without undue encouragement of increased production of surplus crops. States were asked to establish guidelines for the use of ACP funds for drainage and irrigation measures, and to assure that eligible conserving crops received the primary applications of lime and fertilizer. These steps were taken to insure that ACP would remain during this period as an Economic Research Service study in 1963 found it to be: "Although some ACP practices are output-increasing,

the program as a whole does not affect U.S. output significantly in the short-run. The long-run or cumulative effects are to maintain our stock of productive resources."

8. The role of the ACP (and other ASCS programs) in helping farmers with land treatment measures in resource conservation and development program areas (similar to policy in effect with respect to watershed program areas) was updated and detailed.

9. The 1967 program was carried through to completion on December 31, 1967, and indications are that substantially all ACP funds were used, although a special drive to accelerate conservation work had to be undertaken by a number of States late in 1967 in order to utilize their 1967 allocation.

10. A statistical summary giving detailed information as to the scope and nature of the 1967 ACP accomplishments nationally and by individual States is attached. For the first time, ACP participation in one year dropped very slightly below 1 million farms. More than 26,000 of these were located in about 600 ACP special project areas; and more than 18,000 participated in 3,201 ACP pooling agreements. But the number of different farms which participated in the program in the last five years (1963-1967) remained at the high level of 2.4 million. Despite rising costs of things farmers buy in comparison with the price of things they sell and no counterbalancing increase in the ACP annual authorization for nearly two decades, farmers have maintained a remarkably consistent high level of conservation work, with about 56 million acres directly served by the conservation practices carried out by the one million participants (including "new participants") in the 1967 ACP.

11. A statistical summary of certain ACP accomplishments in 1967 in watershed, resource conservation and development, and rural renewal programs areas is attached. About 174,000 farms in 1,296 of these project areas earned $35.6 million of ACP cost-shares. The extent of a few selected conservation (land-treatment) measures which they performed included one million acres of enduring vegetative cover established, 32,000 acres of trees planted, 112,000 acres terraced, and more than 11,600 water impoundments.

1968 ACP--Program modifications are as follow:

1. A 1968 national ACP was announced on July 10, 1967, effective July 1, 1967. The national ACP policies which had been developed in 1954 were completely revised to be more consistent with the goals in "Agriculture/2000" and "Resources in Action." Particular reference was made to conservation practices which will enhance the environment - including cleaner water and air, less pollution by sediment and other materials, and more inviting open space.

2. Few changes were made in the conservation practices authorized. Among the few practice specification adjustments were these:

   a. Drainage practices were changed by removing the restrictions on use of the land for five years following drainage. This restriction was removed because it was felt that the benefits did not justify the administrative burden.

   b. The provisions limiting applicability of irrigation water management practices, to land under irrigation, land normally used for row crops or small grain and

ditches in a system in use, during two of the last five years were removed for 1968. The primary purpose was to permit more effective use of ACP funds in the conservation and beneficial use of water for irrigation on land already in agricultural production.

Cost-sharing assistance was offered for the first time for the proper installation of irrigation systems. Cost-sharing for reorganizing these systems had been available for many years. This change was made so that soil loss and damage could be reduced in the period between the installation of a system and its ultimate reorganization along conservation lines.

3. States were called on to carefully review the levels of cost-sharing and to adjust them where needed for greater program accomplishment.

4. State allocations for the 1968 ACP were issued on July 28, 1967, based on a program of $220 million (the Congressional advance authorization). The existing conservation needs inventory was used and no State's share was reduced by more than one percent from its 1967 proportion.

Due to the enactment of a joint resolution by Congress in the fall of 1967, (Public Law 90-218) calling for a substantial reduction in Federal expenditures, the ACP State allocations were proportionately revised downward December 21, 1967, for the 1968 program by $24,500,000, to a total of $195,500,000. Program practices authorized were not changed as a result of this fund reduction.

5. States were called upon to step up the development of ACP special projects to assist low-income farmers by using higher cost-share rates in areas where a substantial proportion of the farms had incomes so low as to make it unreasonable to expect substantial conservation accomplishment if the customary farmer contribution were required.

6. Also, emphasis on new participants (those who had been doing little or no significant conservation work) and beautification-conservation practices was continued for 1968. A leaflet "ACP and Beauty in America" was issued by ASCS in 1967 in anticipation of the increased emphasis in this regard under the 1968 ACP.

7. Soil sampling was discontinued in 1968 as a program service, except for low-income farmers. Soil sampling is still available on a reimbursable basis in those States that wish to use this method of soil sampling. In other States, soil sampling is handled as a "farmer provided" service.

8. An updated historical summary of ACP practice accomplishments from its beginning in 1936 was undertaken. This summary when completed, plus annual statistical data now being accumulated by means of automatic data processing, will make it possible to obtain current totals of the various ACP practices for statistical and analytical purposes in the program planning and evaluation processes.

9. ACP contributions and accomplishments to keep land being farmed in a productive state, holding that land in place, managing water and helping to keep it clean, and enhancing woodland and wildlife resources (87 percent of the cost-shares being for conservation practices with

enduring benefits) were cited in Report No. 1335 of the House of Representatives Committee on Appropriations in 1968, as follows:

> "Through the years, the Agricultural conservation program has been the Federal Government's principal economic stimulus to farmers and ranchers to voluntarily apply needed conservation measures. ... "This program has served the Nation well for a quarter of a century. It has helped to meet the public responsibility for protecting and conserving the soil, water and woodland resources of the Nation. ...
>
> "During this period, this program has stimulated twice as much economic activity as the amount of Federal funds spent, since the farmer puts up about half the cost of the practices, plus his labor. ...
>
> "This program reaches in excess of 1 million farms each year and results in the application of the greatest amount of conservation measures to the land at the lowest cost per acre of any other similar program. ...
>
> "In the opinion of a majority of the members of the committee, these conservation practices represent the best possible use of Federal funds in the preservation of our soil and water resources for future generations. In addition, they provide the best possible protection for the land upon which we must for our present and future food production. ..."

10. Pending are USDA proposals:

    a. That the Congress amend the Soil Conservation and Domestic Allotment Act, as amended, by authorizing long-term ACP agreements and cost-share payments, to complement cost-sharing payments the program may make on an annual approval basis.

    b. That appropriation act language specifically show that pollution abatement practices with soil and water conserving benefits may receive ACP cost-sharing.

APPALACHIAN LAND STABILIZATION AND CONSERVATION PROGRAM, 1965-1968

The Appalachian area--a vast region of 18 million people--lying along the Appalachian Mountain Range has a histor. of critical economic and social plight. Declines in coal mining and agricultural production and other problems had left much of the region's economy far behind the rest of the Nation.

The comprehensive State-Federal regional development program emerged when President Johnson signed the Appalachian Regional Development Act of 1965 (Public Law io-4) on March 9, 1965. Section 203 of this act authorizes the Secretary of Agriculture to enter into agreements of not more than 10 years with land owners, operators, and occupiers, in the Appalachian region. This section was designed to help combat erosion which had laid bare vast stretches of the Appalachian hillsides, wasting the soil, contributing to flood problems, and impeding economic growth.

The Appalachian Land Stabilization and Conservation Program was assigned jointly to the Appalachian Regional Commission authorized by the Act and the U.S. Department of Agriculture.

Leadership for USDA's role in the ALSCP was assigned to ASCS and the ASC State and county committees, with technical assistance (farm planning, etc.) from the Soil Conservation Service.

The ALSCP was launched on July 2, 1965, upon approval of the program by the ASCS Administrator, and was applicable in designated counties of the 12 States of Alabama, Georgia, Kentucky, Maryland, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.

1966 Program.

Based on plans and agreements by ASCS and the Appalachian Regional Commission, programs were developed by Commission representatives and the State ACP development groups in all of the 12 States. Programs applied to eligible farms and persons in selected areas of certain counties or in entire counties. The program supplements other conservation programs in Appalachia and gives preference to needy people.

Each State prepared a plan allocating Section 203 funds (State allocations made from funds appropriated to ASCS for this purpose) to those areas where they would yield the highest returns for the dollars expended. The plans were prepared by committees made up of representatives of the ASCS, SCS, FHA, State agencies concerned with land resource problems, and other appropriate groups.

Cost-share agreements (contracts) of 3 to 10 years duration, and up to 80 percent of the treatment cost, were offered for agreement between the applicants and the ASC county committee. The contracts provide for land stabilization, erosion and sediment control, and reclamation through changes in land use and conservation, including the establishment of practices for the conservation and development of soil, water, woodland, wildlife, and recreation resources. The program may apply to not more than 50 acres of land for any person.

The ASC committees exercised local judgment in determining an applicant's eligibility, based on need and the contribution a practice carried out on his farm would make to solving local soil and water conservation problems.

For the first year of the program, 138 counties (of 373 in the region) were designated in the program, most on a whole county basis.

Applicants were limited on the basis of income - generally with combined farm and off-farm income not inexcess of $3,000.

There were 7,106 contracts, fiscal year 1966, in the 12 States, with a designated approved acreage of 163,881 acres and maximum cost shares of $6.2 million, only slightly less than the amount appropriated.

1967 Program.

The program was continued on much the same basis as for the 1966 fiscal year, with the appropriation ($3 million) again made direct to USDA, except that the number of counties was reduced from 138 to 111.

Additional contracts as follows were approved: 2,668 contracts on 63,716 acres.

1968 Program.

The appropriation was made to the Appalachian Regional Commission, which transferred $3 million of cost-share funds to USDA.

An amendment (Public Law 90-103) to the Act added counties in Alabama and Tennessee, and for the first time counties in Mississippi to the "Appalachian Region."

Sub-areas within counties (usually watersheds), instead of whole counties as usually the case in previous years, were designated in each State where the program would be operated. This was done to implement Appalachian Regional Commission's Resolution 138, which called for concentration of Section 203 funds in limited areas to help solve specific local conservation problems that were impeding economic growth. For example the funds are used to reduce siltation of a community water supply.

Income limitations were relaxed somewhat and major emphasis was placed on solving conservation problems through land treatment measures to be applied in local areas. Preference to needy landowners, operators, and occupiers is given to the extent that it is consistent with effective solution of a land treatment problem which is impeding economic growth in the project area. This policy change was indicated by congressional action.

The increase due to contracts approved during the 1968 fiscal year and the cumulative totals to the end of that period were as follows: Contracts, 302, to a total of 10,076; approved acreage, 15,567 acres, to a total of 243,164 acres; maximum cost-share commitments, $1.0 million, to a total of $9.4 million. Some of these (3-year contracts) have expired and some have been terminated. Additional contracts will be entered into to the extent possible with the uncommitted balance of the available funds.

Attached is a table providing a summary of certain data applicable to ALSCP through the 1968 fiscal year.

Appalachian Land Stabiliza[illegible] and Conservation Program
Status as of June 30, 1968

State	Requests			Funds			Contracts in effect	
	Filed since beginning of program	Pending on hand	Acres on pending requests	Obligated for contracts approved since program began	Balance available for commitment	Total practice payment earned		
	Number	Number	Acres	Dollars	Dollars	Dollars	Number	Acres
Alabama	3,564	1,179	27,429	1,114,377	357,442	605,553	1,237	28,732
Georgia	777	14	557	457,025	9,930	266,084	510	11,745
Kentucky	1,418	359	11,402	1,277,848	155,034	391,770	801	22,310
Maryland	117	18	795	123,477	7,357	46,036	67	2,864
Mississippi	23	8	194	28,194	177,860	---	---	---
New York	1,437	302	8,701	1,001,857	272,548	457,381	482	20,082
N. Carolina	2,352	267	5,868	634,605	292,176	478,270	1,822	20,045
Ohio	699	32	1,329	550,239	161,150	295,511	315	14,048
Pennsylvania	1,509	187	7,102	1,190,354	373,952	626,992	603	22,767
S. Carolina	569	15	527	225,049	71,968	141,217	333	8,571
Tennessee	4,020	1,234	23,365	1,373,957	804,527	701,966	1,736	31,135
Virginia	1,537	379	9,491	501,291	120,924	287,098	712	17,913
W. Virginia	1,601	113	4,836	1,672,911	215,250	586,717	673	26,386
Total	19,623	4,107	101,596	10,151,184	3,020,118	4,884,595	9,291	226,598

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Appalachian Land Stabilizati[illegible]nd Conservation Program
Status as of June 30, 1968

State	Approved contracts							
	From beginning of program		With all practices performed		With all acres for recreation		With participating acres for recreation	
	Number	Acres	Number	Acres	Number	Acres	Number	Acres
Alabama	1,393	33,589	497	10,151	2	48	4	51
Georgia	511	11,752	738	4,801	2	81	2	36
Kentucky	801	22,309	109	2,371	5	72	8	64
Maryland	77	2,864	15	506	---	---	1	1
Mississippi	---	---	---	---	---	---	---	---
New York	488	19,405	107	3,618	13	562	6	316
N. Carolina	2,157	23,000	1,388	12,685	4	43	5	65
Ohio	415	17,528	102	4,052	---	---	---	---
Pennsylvania	625	23,255	150	4,648	1	1	11	42
S. Carolina	333	8,571	170	4,051	---	---	2	8
Tennessee	1,739	31,145	1,091	15,546	---	---	---	---
Virginia	745	18,620	279	12,925	---	---	---	---
W. Virginia	792	31,126	370	14,348	---	---	2	7
Total	10,076	243,164	5,016	89,702	27	807	41	590

ASCS-DMD
7/25/68

Appalachian Land Stabilization and Conservation Program

Purpose of Land Treatment	Acreage (Acres)	Maximum Cost-Shares (Dollars)
To benefit wildlife	2,750	204,951
To provide recreasion	1,545	117,272
For grassland improvement	137,702	5,252,463
For forestry improvement	6,580	159,413
Improvement of land for crops	30,987	1,003,133
Changing land use from crops to grassland	56,528	2,297,825
Changing land use from crops to forestry	773	27,200
Changing land use from pasture to forestry	597	15,313
Total	237,462	9,077,570

NOTE: Reported as of 2-22-68.

ASCS/PPA
6-19-68

EMERGENCY CONSERVATION MEASURES (ACP - ECM)

For several years prior to 1961 when natural disasters such as floods and wind erosion severely damaged agricultural lands the President (through the President's Disaster Relief Fund established by Public Law 81-875) or the Congress (by special appropriations or authorizations) had provided funds to help farmers rehabilitate their damaged lands.

In 1957, the Congress established in Public Law 85-58 the criteria for such assistance:

> "To assist farmers to carry out emergency conservation measures, to control wind erosion on farmland or to rehabilitate farmlands damaged by wind erosion, floods, hurricanes, or other natural disasters, when as a result of the foregoing new conservation problems have been created which, (1) if not treated will impair or endanger the land, (2) naturally affect the production capacity of the land, (3) represent damage which is unusual in in character and except for wind erosion is not the type which would recur frequently in the same areas, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive use."

These funds are used to supplement regular ACP funds when the latter have already been committed for other areas or conservation measures. (Regular ACP funds are used to some extent for the same purposes.) These ECM funds are not controlled by the regular ACP distribution formula. They are

allocated as required in ECM disaster areas designated by the Secretary of Agriculture, after appropriate surveys and recommendations by county and State disaster committees. (The ECM offer is in the National ACP.)

During the past eight years, ACP-ECM cost-shares have been used in one or more counties of 47 States and Puerto Rico to rehabilitate (by the use or restoration of a variety of conservation practices) farmlands damaged by flood, drought, wind erosion, hurricanes, windstorms, tornadoes, earthquakes, seismic waves, fires, and snowstorms.

While there is no "pattern" of disasters that makes it possible to predict the degree of need for ECM funds, it had become evident that regular ACP funds could not be relied upon to be available at the places and in the amounts needed to deal with such farmland-damaging occurrences.

USDA continued to give immediate and careful attention to the damages when they occurred, and made special requests of the Congress for ECM funds when it became evident that they would likely be needed. Also, during the 1964-68 period the Administration complied with suggestions by the Congress that amounts adequate to meet probable needs for ECM funds be included in the proposed USDA budgets along with (and in addition to) regular ACP funds.

ECM fund reserves from such advance appropriations (which continued to be on an "until expended" basis) made it possible to deal even more expeditiously with the repair of disaster damaged farmlands.

1964 ACP - ECM

1964 Program.

The Congress provided during 1964 two appropriations of $4 million each, which made it possible to allocate funds for damages due to floods, drought, windstorm, range fires, and another eqarthquake.

ECM funds used were: For flood disasters in 14 States, $2.7 million, for drought disasters in States $3.9 million; for other disasters in 4 States, $0.3 million; total, $6.9 million. More than 30,000 farms in 165 counties received ECM assistance in connection with these disasters.

1965 Program.

During calendar year 1965, as a result of extremely widespread and disastrous floods and some wind erosion, drought, tornadoes, fire, and earthquake damages to be repaired, the Congress provided a special ECM appropriation of $10 million in April and in the regular USDA appropriation act (as requested by the Administration $24 million in November.

ECM funds used were: For flood damages in 23 States, $11.9 million; for other damages in 19 States, $2.7 million; total $14.6 million. Almost 35 thousand disaster-stricken farms in 531 counties of 36 States received this ECM assistance.

1966 Program.

Additional disasters in 1966, along with the extension of assistance into 1966 for several 1965 disasters, resulted in about one-half as much ECM assistance in 1966 as in 1965.

ECM funds used were: For flood disasters in 22 States, $5.5 million; for other disasters in 17 States, $1.5 million; total $7.0 million. Almost

17 thousand farms shared in this assistance. The regular USDA appropriation act included $5 million of ECM funds.

1967 Program.

Disasters in 1967 were largely floods, but drought and tornadoes were involved to a limited extent and required about one-fourth of the ECM funds used. Another $5 million was appropriated by the regular USDA appropriation act.

More than 12,000 farms in 192 counties of 25 States received ECM assistance amounting to more than $4 million, all but about one-fifth of which was for flood disasters.

1968 Program.

New flood, tornado, and snowstorm disasters have occurred and further assistance has been necessary with respect to some earlier disasters. ECM allocations exceeding $11 million have been made to the ASC State committees in about 20 States due to these occurances. However, on the basis of usual pattersn, perhaps less than two-thirds of that amount will be actually earned under the 1968 program.

A reserve from the ECM funds previously appropriated and not used plus a pending appropriation of $5 million should provide enough funds to pay these 1968 ACP - ECM cost-shares and make commitments during the early part of 1969.

The attached table summarizes funds for ECM, their source, and their use from the time the first appropriation was made for this purpose under the provisions of Public Law 85-58. Total ECM funds used for the respective

years may vary to some degree from summarized data published in some other tables for the ACP. This is due to different dates on which the data were summarized, which reflect changes being made by late payments, refunds, etc.

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FOREST SERVICE HISTORY -- JOHNSON ADMINISTRATION

November 22, 1963--to date

I. Major Controversial Areas

- A. Log Exports
- B. Redwood National Park
- C. Northern New Mexico Situation
- D. Land Classification Controversy
  1. North Cascades
  2. Magruder Corridor
  3. Boundary Waters Canoe Area
- E. Additions to Wilderness System
- F. Interstate 70 -- Red Buffalo Route

II. Major Reorganization within the Agency

III. Progress in Major Lines of Work

- A. National Forest Administration
- B. State & Private Forestry
- C. Research
- D. Job Corps Administration

LOG EXPORTS

A major controversy in the Pacific Northwest involved the exporting of logs, many from federal timberlands, to the Japanese. The small wood-using industries in Washington and Oregon were unable to compete with the export business for logs, thus making the industry unstable and causing economic consequences to dependent communities.

Prior to 1961 softwood log exports from the Pacific Northwest were relatively infrequent. They started to increase substantively in 1961. By 1964 there was a growing concern by wood using industries and other citizens on the effect that the rapidly rising amount of log exports to Japan was having on domestic log supplies and log prices. A petition to Secretary of Agriculture Orville L. Freeman with approximately 30,000 signatures from the "Save Our Logs Committee" asked that by the establishment of a Federal sustained-yield unit under the Act of March 29, 1944, the timber cut from 13 National Forest in Washington and western Oregon be subject to domestic manufacture within a specified area in the West.1/

In response to this petition the Secretary held public hearings to consider the advantages and disadvantages to this proposal.2/ From a careful study of all the evidence presented at these hearings the Secretary concluded that the requested sustained-yeild unit was not necessary for the purpose as set forth in the Act, and, since the basic problem had to do with international

trade and relationships, that the remedy sought by the petition was not the appropriate basis to solve it.[3/] Secretary Freeman announced his decision against the sustained-yield unit.[4/]

However, the export of logs to Japan from the Pacific Northwest contined to accelerate throughout 1966-67. The situation continued to cause great concern which culminated in discussions between Secretary Freeman and the Japanese Minister of Agriculture and Forestry at the Sixth meeting of the Joint U. S. - Japan Committee on Trade and Economic Affairs held in Washington, D. C., September 13-15, 1967. From this discussion came the suggestion to hold formal talks between Japanese and U. S. delegations in an attempt to solve the controversy.

The first meeting was held December 11-13; its main objective was to identify the problem and its implications to both the United States and Japan.[5/] Industry and other pressures continued to increase and in January 1968 public hearings on "The Impact of Increasing Log Exports on the Economy of the Pacific Northwest" were held before the Subcommittee on Retailing, Distribution, and Marketing Practices of the Select Committee on Small Business, U. S. Senate. In his testimony before that committee, Chief Cliff recognized that the basic problem involved a supply-price squeeze for the small wood-using industries in the Pacific Northwest. He recognized that this had caused mill curtailments and unemployment in some areas. He stated that the Forest Service had concluded that

that it did have the authority to act insofar as the National Forests were concerned to require domestic processing. However, the Forest Service believed that the best interests of both forest management and forest industry could be met by persuading the Japanese to increase their take of sawn lumber products.6/

A second round of discussions was held with the Japanese in Tokyo on February 20-22, 1968. The objective of this discussion was to reach some solution to the problem created by increasing Japanese log exports.7/ Although there were useful results from these discussions, they did not lead to positive steps to remedy the problem.8/ Secretary Freeman decided that that the well-being and continuity of the wood-using industry in western Washington and western Oregon was being jeopardized by its inability to compete with the export business and obtain logs. He thus ordered on April 16, 1968 that until July 1, 1969, National Forest timber offerings in these areas should be given primary manufacture in the United States.9/

After the Secretary's decision was announced, local industries, state officials and community groups feared that Japanese log buying would be extended to northern California, eastern Washington, and eastern Oregon, and the Inland Empire. This was picked up by most of the western Congressmen who asked that the protection be extended to the entire West.10/ Secretary Freeman replied on May 28, 1968 that the Department was watching the situation

closely and stood ready to act if there were indications of a similar price squeeze, with curtailments and unemployment. However, Agriculture could not act alone in this regard since responsibilities of other Departments and agencies were involved.11/

On July 19, at Senator Morse's behest, a second Hearing of the Senate Select Committee on Small Business was held. The basic objective was to determine the existence, if any, of surplus timber supplies in the Northwest and California and point out the pressing need to extend the domestic manufacturing requirement to all of the West.

On July 20 Senator Morse was effective in amending the Foreign Aid Bill in Senate Conference to include provisions to extend domestic manufacturing to all Federal timberlands west of the 100th Meridian. The amended bill was passed by the Senate and returned to the conferees. It is now in study there.

REFERENCES

LOG EXPORTS

1. Petition from Save the Logs Committee.

2. Memo from Baker to Bagwell, November 27, 1964; letter from Freeman to Dawson, February 4, 1965; Notice of Public Hearing; and USDA Press Release 299-65, Jan. 29, 1965.

3. Review and Analysis of the Proposal for a Pacific Northwest Federal Sustained-Yield Unit, July 1965; letter from Cliff to Baker, September 3, 1965.

4. Letter from Freeman to Shew, Sept. 17, 1965.

5. Letter from Hixon to Hirabayashi, December 28, 1967

6. Statement of Edward P. Cliff, Chief, Forest Service, U. S. Department of Agriculture, Before the Subcommittee on Retailing Distribution, and Marketing Practices, Select Committee on Small Business, United States Senate, on the Impact of Increasing Log Exports on the Economy of the Pacific Northwest, on Tuesday, January 23, 1968.

7. Department of State, press release No. 39, February 23, 1968; memo from Greeley to the Secretary, March 12, 1968.

8. Cliff to the Secretary, March 12, 1968.

9. A Determination by the Secretary of Agriculture Concerning Primary Processing of Timber from National Forests of the Pacific Northwest, April 16, 1968;memo from Secretary to Chief Cliff, April 16, 1968 with attached plan; USDA Press Release 1273-68, April 19, 1968

10. Memo from Greeley to Baker, April 9, 1968; letter from Senator Jackson et al. to Freeman, April 26, 1968

11. Letter from Freeman to Jackson, May 28, 1968.

REDWOOD NATIONAL PARK

The Redwood National Park proposal is one of the most controversial and confused resource issues to come before Congress. For years, conservationists have urged that magnificent stands of specimen trees in northern California be preserved. On the other hand, local business and government have countered that the best stands are already preserved in state parks and that further withdrawn stands would wipe out dependent industries. In the last few years the issue has become one of national concern; since 1965 at least 4 major proposals for a national Redwood Park have been submitted to Congress.

The Forest Service, although supporting the idea of a national Redwood Park, did not become involved in the controversy until 1967.

In May of 1967, the Governor of California in a letter to Congressman Aspinall stated that the State would require the trade of 14,500 acres in the national forest Northern Redwood Purchase Unit as part of the State's price for a National Park.[1/] This proposal raised immediate concern on the part of the USDA, the Forest Service, the administration, and leading conservationists that such a trade might tend to set a precedent for other forest lands to be used to pay for other national parks. In a reply to Senator Anderson, Secretary of the Interior, Udall stated the administration position that National Forests should be maintained intact and that when private timberlands are needed by the Federal Government in the public interest, payment should be in cash and not in kind.[2/]

Forest Service Chief Edward P. Cliff in his testimony on H.R. 10951 and related bills to establish a Redwood National Park stated the reasons the Forest Service was against transfer of the Purchase Unit to private timberland owners:

(1) Payment-in-kind would remove public forest lands from multiple use management;

(2) The transfer would eliminate the valuable Redwood management research and demonstration capabilities of the Unit;

(3) The transfer to one timber company would be at the expense of other operators dependent upon the timber;

(4) Payment-in-kind in this situation would be a dangerous precedent for other Federal projects requiring acquisition of private forest land.[3/] The American Forestry Association supported the position of the Forest Service.[4/]

However, on October 10, 1967, a new Redwood Park Bill, S. 2515 was introduced in the Senate by Senators Jackson, Bible and Kuchel. It contained the controversial provision for the exchange of the Northern Redwood Purchase Unit for some private lands.

On October 20, Secretary Freeman wrote each Senator vigorously objecting to the commandeering of National Forest lands in the Redwood Purchase Unit and the establishment of a dangerous precedent in violation of long-standing, sound conservation principles.[5/]

Seven leading conservation organizations urged the President and the Senate that National Forests lands not be used as trading stock in support of unrelated federal programs.[6/]

Forest Service personnel placed before the public the value of the Purchase Unit, it's management objectives and attainments, and its contribution to the demonstration of good forestry practices and to the economy and social values of Northern California.[7/]

In February Chief Cliff in replying to questions of the Executive Committee of the Board of Directors of the Citizens Committee on Natural Resources discussed the Forest Service plans for the Redwood Purchase Unit in the National Forests.[8/]

The House Interior Subcommittee on National Parks and Recreation held hearings in May on S.2515 and related house bills. Secretary Freeman appeared before the Committee and strongly urged that the proposed exchange of the Northern Redwood Purchase Unit be rejected. He said the transfer would set a precedent that would imperil the integrity of the National Forest System and that the Department was "unalterably opposed to the barter of National Forest timberlands for private lands needed for the proposed park."[9/]

Aside from precedent, the Forest Service believed there were three other important reasons why the public was best served without swapping off the Purchase Unit. (1) It would not be economically sound; (2) an important recreation area would be lost; (3) research and demonstration methods would be stopped.[10/]

On June 26, the House National Parks Subcommittee in reporting out the bill on creation of the Redwood National Park, rejected the Senate proposal to exchange the Northern Redwood Purchase Unit for the private lands needed for the Park. It also proposed a reduction of total acreage to be included in the Park from the 66,000 acres recommended in the Senate bill to about 27,000 acres, and authorized $45 million for land acquisition in place of the $110 million in the Senate bill.11/

REFERENCES

REDWOOD NATIONAL PARK

1. Senator Anderson to the President, June 26, 1967

2. Secretary Udall's letter to Senator Anderson, July 13, 1967

3. Statement of Edward P. Cliff, Chief, Forest Service, U. S. Department of Agriculture, Before the Subcommittee on National Parks and Recreation of the Committee on Interior and Insular Affairs, House of Representatives, on H. R. 10951 and Related Bills, to Establish a Redwood National Park.

4. Craig's letter to Chief Cliff, July 14, 1967

5. Secretary's letter to Aiken, October 20, 1967

6. Greeley's memo to Baker, October 18, 1967; Outdoor News Bulletin, Vol 21, October 18, 1967; Copy of telegram to Senator Jackson from National Conservation Organization, October 18, 1967; copy of telegram to the President from Conservationists; Press Conference, Poole or Clapper, October 27, 1967; Press Release from the American Forestry Association, October 27, 1967.

7. Morse's memo to Forest Supervisors, December 1, 1967

8. Chief Cliff's letter to Anderson, February 20, 1968

9. Statement of Orville L. Freeman, Secretary of Agriculture before the Subcommittee on National Parks and Recreation of the Committee on Interior and Insular Affairs, House of Representatives on H. R. 10951, S. 2515, and related Bills to Establish a Redwood National Park May 21, 1968

10. DeBruin's memo to Regional Foresters, June 12, 1968

11. UPI, June 25, 1968

NORTHERN NEW MEXICO SITUATION

On October 23, 1966, a group known as the Alianza Federal de Mercedes seized the Echo Amphitheater Campground on the Carson National Forest, thus abruptly involving the Forest Service in a major controversy involving the ownership and use of National Forests lands in northern New Mexico. The Alianza, composed of Spanish-Surname Americans claimed that they were land grant heirs and had been deprived of their legal rights to portions of National forest lands.

From October until the next June there were a series of incidents involving the Forest Service personnel of the Santa Fe and Carson National Forests.[1/] In May and June of 1967, Forest Service officers met with various groups representing the Spanish-Americans in northern New Mexico in an attempt to gain insight into the various viewpoints and to resolve misunderstandings. It became apparent there was a general discontent with Forest Service policies among many of the Spanish-Americans living near the National Forests in New Mexico. Major complaints involved grazing rights on National Forest lands.[2/] It was also apparent that the unhappiness of these people with the Forest Service was only one aspect of the economic and social plight of many northern New Mexicans. In June Regional Forester William D. Hurst testified before the Subcommittee on Rural Development on Forest Service policies and practices in northern New Mexico.[3/] In response

to a communication to Governor David Cargo, Secretary Freeman summarized problems of the rural Spanish-American.[4/] On June 30 he established a USDA Departmental Committee on Mexican-American affairs to coordinate the Department effort to aid these people.[5/]

On July 7 and 8, 1967, Under Secretary of Agriculture John Schnittker visited northern New Mexico to give the situation his personal attention.[6/] Chief Cliff, suggested the organization of grazing cooperatives.[7/] The departmental Mexican-American committee continued in its efforts to aid the situation.[8/]

The Special Subcommittee on Economic Development of the Senate Committee on Public Works scheduled field hearings, one in Albuquerque, New Mexico.[9/] Regional Forester Hurst and Forest Supervisors Seaman and Latimore testified for the Forest Service at this hearing, explaining what the Forest Service was doing in this area.[10/]

The Forest Service developed a "Plan of Action to Increase Public Understanding and Support for Forest Service Grazing Policies in northern New Mexico.[11/] The Departmental Committee prepared a report on the New Mexico Situation.[12/] Every effort was made to communicate with the people.

Cabinet Committee Hearings on Mexican-American Affairs were held in El Paso, Texas, October 26-28, 1967.[13/] The Forest Service evaluated the conference and replied to its recommendations.[14/] Secretary Freeman urged the Forest Service to make every effort to help these Mexican-American people. Chief Cliff replied that he would have Regional Forester Hurst consider northern New Mexico as a special situation.[15/]

Chief Cliff, in January 1968, authorized the transfer of approximately $1 million to range projects in the area. A request was made by the Forest Service in the fiscal 1969 budget for $1 million to carry out further activity, but the request did not clear the Budget Bureau.

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NORTHERN NEW MEXICO

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2. Memo from Hurst to Record, June 1, 1967

3. Statement of William D. Hurst, Regional Forester, Southwest Region, U. S. Department of Agriculture, Forest Service, Before Subcommittee on Rural Development, June 21, 1967.

4. to Note from Obert to editor with attached letter from Freeman to Cargo.

5. Secretary's Memorandum No. 1616, June 30, 1967

6. Memo from Hurst to Greeley, July 19, 1967

7. Memo from Cliff to Hurst, July 20, 1967

8. Memo from North to Edwards, July 20, 1967; O'Neal to Fox, July 28, 1967; Fox to Edwards, July 31,1967

9. Letter from Senator Randolph to Freeman, August 2, 1967, Florance to Baker, August 8

10. Statement made by William D. Hurst, Regional Forester, Southwest Region, U. S. Department of Agriculture, on August 18, 1967, at the Hearing Held in Espanola, New Mexico, by the Subcommittee on Economic Development, Senate Committee on Public Works; Statement made by Don D. Seaman, Forest Supervisor, Carson National Forest, U. S. Department of Agriculture, on August 18, 1967, at the Hearing Held in Taos, New Mexico, by the Subcommittee on Economic Development, Senate Committee on Public Works; Statement made by Robert Latimore, Forest Supervisor, Santa Fe National Forest, U. S. Department of Agriculture, On August 19, 1967, at the Hearing held in Las Veges, New Mexico, by the Subcommittee on Economic Development, Senate Committee on Public Works.

11. Memo Hurst to all Forest Supervisors, August 25, 1967

12. Memo from Lewis to Baker, September 8, 1967 with attached Report--THE SPANISH-AMERICAN SITUATION IN NORTHERN NEW MEXICO: Its Status and Suggestions For Improvement revised September 2, 1967

13. Testimony Presented at the Cabinet Committee Hearings on Mexican American Affairs, El Paso, Texas on October 26-28, 1967.

14. Fox's memo to Edwards, November 6, 1967; Fox's memo to Edwards, November 20, 1967

15. Memo from Secretary to Chief Cliff, October 28, 1967; Memo from Chief Cliff to Secretary, November 16, 1967

LAND CLASSIFICATION CONTROVERSY

During the years of the Johnson Administration, certain national forest system lands have become areas of conflict and controversy regarding their primary use and development. To help solve these controversies, Secretary Freeman's policy has been to appoint a committee of interested citizens to study all the resource potentials of the area involved and recommend the form of management which would best serve the public.

On such area was the portion of Washington State known as the North Cascades. The North Cascades Area, most of which was national forest land, had long been the subject of conflicting proposals for development by outdoor, commercial and other interested groups. Portions of the Area were designated Wilderness by the Forest Service and excluded logging and other commercial operations. In March 1963, the Secretaries of Agriculture and the Interior had jointly appointed a five-man Study Team to study the area and make their recommendations for its management.[1/]

By April 10, 1964, the team had completed the technical resources studies and invited interested individuals and organizations to look them over.[2/] By the end of 1965, the team had finished its study of the area and made its recommendations. All recommendations were unanimous except for one part of the Study Area. Here some members wanted to create a National Park; others, a National Recreation Area.[3/] President Johnson in his January 30, 1967 Message to Congress on Protecting Our Natural Heritage

recommended the establishment of a National Park in the North Cascades. In keeping with this request, the Department of Agriculture and the Interior jointly worked out a legislative proposal, endorsed by both Secretaries, to establish a North Cascades National Park.[4/] Associate Chief Arthur Greeley appeared before the Subcommittee on Parks and Recreation of the Senate Committee on Interior and Insular Affairs to testify on Senate Bill 1321 and explain the role the Department of Agriculture would play and the contribution it would make in the conservation of the recreation and other natural resources of the North Cascades Region.[5/] The bill passed the Senate on November 2, 1967. The House Subcommittee on National Parks and Recreation of the House Interior and Insular Affairs committee on July 26, 1968 cleared H.R. 8970 in a form identical to S. 1321 for consideration by the full committee. The Committee will hear testimony on September 4 when Congress reconvenes.

Another controversial area was one in Idaho commonly called the Magruder Corridor. In 1963, acting under the provisions of Regulation U-1 of the Department of Agriculture, Secretary Freeman established the Selway-Bitterroot Wilderness in the Lolo, Bitterroot, Clearwater and nezperce National Forests. The area known as the Magruder Corridor was excluded from the wilderness area.[6/] However, many interested citizens and organizations questioned the Forest Service management of the non-wilderness area. Therefore, the Secretary in 1966 appointed a committee of individuals from outside the Government to review the area and report its findings.[7/] In April 1967, the Review

Committee submitted its recommendations to the Secretary.[8/] After carefully studying the report of the Committee and all the information pertinent to the management of the area, Secretary Freeman announced his decision of management of the Magruder Corridor Area, which closely followed the recommendations.[9/]

Another controversy involved the Boundary Waters Canoe Area in the northern one-third of the Superior National Forest which extends nearly 200 miles along the eastern Minnesota-Canadian Border. Since 1926, the area had been set aside to preserve its primitive character and provide an opportunity for wilderness canoe travel.

In 1964 there had been many public expressions of deep concern about road building, timber cutting, and use of mechanized forms of travel in the parts of the Canoe Area where management plans so permitted. This concern caused Secretary Freeman to appoint a committee to review the management of the Boundary Waters Canoe Area. In December, the committee submitted its report.[10/] In January 1965, Secretary Freeman announced that on the recommendations of the committee, he was directing the Forest Service to double the land area where timber cutting was prohibited.[11/] Later in the year th Secretary announced a new resource management program to be followed in administering the Boundary Water Canoe Area.[12/]

REFERENCES

LAND CLASSIFICATION CONTROVERSY

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2. USDA Press Release 1178-64, April 10, 1964.

3. Statement of Secretary of Agriculture and Secretary of the Interior, December 29, 1965.

4. USDI Press Release, "Interior Submits North Cascades Bill to Congress", March 20, 1967.

5. Statement of Arthur W. Greeley, Associate Chief of the Forest Service, Department of Agriculture before the Subcommittee on Parks & Recreation of the Committee on Interior and Insular Affairs, United States Senate, on S. 1321, "To Establish the North Cascades National Park and Ross Lake National Recreation Area, to Designate the Pasayten Wilderness and to Modify the Glacier Peak Wilderness in the State of Washington, and for Other Purposes" on April 24, 1967.

6. Decision of the Secretary of Agriculture establishing the Selway-Bitterroot Wilderness Area, Lolo, Bitterroot, Clearwater, and Nezperce National Forests, Montana and Idaho.

7. USDA Press Release 2427-66, August 2, 1966; USDA Press Release 2997-66, September 20, 1966; Forest Service News, Northern Region, Missoula, Montana, R-1-538:112466.

8. Report of the Magruder Corridor Review Committee submitted to the Secretary of Agriculture April 17, 1967.

9. Statement of Secretary Freeman on the Report of the Review Committee for the Magruder Corridor, June 1, 1967.

10. Boundary Waters Canoe Area Review Committee to Secretary Freeman, December 15, 1964.

11. USDA Press Release 96-65; Statement by Secretary Freeman on the report of the Review Committee for the Boundary Waters Canoe Area.

12. USDA Press Release 4007-65, December 16, 1965; Department of Agriculture, Forest Service (36 CFR Section 251.85) Secretary's Regulation and Administrative Guidelines, December 15, 1965.

ADDITIONS TO THE WILDERNESS SYSTEM

The Wilderness Act of 1964 put 54 National Forest Wilderness Areas containing about 9 million acres into the National Wilderness Preservation System. It also required the Forest Service to complete studies and make recommendations for or against Wilderness status on one-third of the National Forest Primitive Areas by September 1967.

The first primitive area to be recommended for wilderness status--the San Rafael in the Los Padres National Forest in California--became controversial, not in regard to the wilderness itself, but over the number of acres to be included.

A public notice of intent to recommend establishment of the San Rafael Wilderness was issued August 8, 1965. A public hearing was held in Santa Barbara, California, November 8, 1965. The proposal presented for consideration at the hearing called for a wilderness of 110,403 acres. However, as a result of views presented in response to the public notice and additional study, the final recommendation by the Forest Service called for a 142,722 acre wilderness.[1/]

In December 1966 Secretary Freeman transmitted to the President the recommendation for the establishment of the San Rafael Wilderness.[2/] In February the President sent to Congress a bill recommending the San Fafael Wilderness for inclusion in the National Wilderness Preservation System. [3/]

Secretary Freeman spoke in favor of Senate Bill 889 to Designate the San Rafael Wilderness before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, United States Senate, in April.[4/] The bill was considered and passed by the Senate on

May 2, 1967. The Subcommittee on Public Lands of the Committee on Interior and Insular Affairs of the House of Representatives held hearings June 19-21, on this bill and H.R. 5161. Assistant Secretary John Baker testified on the Department's support for this bill.[5/] However, other testimony from preservationists and wilderness groups recommended the addition of an 2,200-acre area to the wilderness, an area which contained some Chumash Indian Pictographs, and whichwas located along a major fly way of the California Condor. The Forest Service opposed the addition, primarily because loss of the area for a firebreak would affect its ability to provide adequate fire protection. The committee, however, amended the bill to include the 2,200 acres before recommending it for passage.[6/]

The Forest Service asked its field personnel to evaluate the proposed 2,200 acre addition and review it on-the-ground. The review convinced the Service that the original recommendation was sound and that any addition would be bad from a fire control standpoint.[7/]

The amended bill passed the House October 16, 1967. It was then sent to the Committee of Conference on the Disagreeing Votes of the Two Houses.

In response to a request from the committee, the Forest Service evaluated the differences between the two bills and restated it had definite fire control reasons for wanting the boundaries as designated by the Senate-passed bill.[8/]

It also prepared an information analysis of certain quotations from the "Multiple Use Plan for the Cuyana District Los Padres National Forest, which had been placed in the Congressional Record.[9/]

On December 11, 1967, the Committee of Conference recommended that the House recede from its amendment.[10/] In response to a request from Representative Teague, the Forest Service expressed its willingness to explore a possible designation of an Archeological Area to protect the Indian pictographs.[11/]

The House agreed to the Conference report on March 5 and the Senate, March 8, 1968. As PL 90-271, approved March 21, 1968, the San Rafael Wilderness, Los Padres National Forest, California, became the first Wilderness established under the Wilderness Act of 1964.[12/]

ADDITIONS TO THE WILDERNESS SYSTEM

REFERENCES

1. Memo from Cliff to Freeman, Nov. 14, 1966.

2. Letter from Freeman to the President, Dec. 15, 1966.

3. Letter from the President to the Speaker of the House of Representatives on the San Rafael Wilderness, Los Padres National Forest, Feb. 1, 1967.

4. Statement of Secretary of Agriculture Orville L. Freeman Before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, United States Senate, On S.889, A Bill to Designate the San Farael Wilerness, Los Padres National Forest, in Californai, On April 11, 1967.

5. Statement of John A. Baker, Assistant Secretary, Department of Agriculture, Before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, House of Representatives, on S. 889 and H.R. 5161, Bills to Designate the San Fafael Wilderness, Los Padres National Forest, in California, on June 19, 1967

6. Fact Sheet, San Rafael Wilderness, proposed Aug. 11, 1967.

7. Letter from Greeley to Baring, July 11, 1967; Memo from Hansen to Regional Forester, Aug. 14, 1967

8. Letter from Greeley to Senator Jackson, Dec. 6, 1967.

9. San Rafael Wilderness

10. House of Representatives, 90th Congress, 1st Session, Report No. 1029; Summary San Rafael Wilderness Situation Dec., 1967.

11. Letter from Cliff to Teague, Jan. 11, 1968

12. Public Law 90-271 90th Congress, S. 889, March 21, 1968, An Act to designate the San Rafael Wilderness, Los Padres National Forest, in the State of California.

INTERSTATE 70 -- RED BUFFALO ROUTE

After studying alternative routes for several years, the Colorado Highway Department and the Bureau of Public Roads decided in March 1967 to route Interstate 70 through a portion of the Gore Range-Eagle Nest Primitive Area, White River National Forest, Colorado. The Bureau of Public Roads accordingly asked, through the Regional Forester, that the Secretary of Agriculture approve that route by excluding a portion of the Primitive Area, as provided for in the Wilderness Act of 1964.

The Forest Service requested time for a field review of the impact of the proposal. Meanwhile wilderness and other conservation groups started a campaign to stop the Red Buffalo Route. They not only cited the impact on the Primitive Area but also calimed the route was economically unsound.1/

In order to be able to make a firm recommendation to the Secretary for or against the route, the Forest Service prepared a detailed report on its impact on the Primitive Area.2/

After analyzing all the available information on the Red Buffalo, Chief Cliff concluded that the Route should be rejected and so reported to the Secretary on Jan. 24, 1968.3/ The Planning, Evaluation & Programming Staff concurred with the Forest Service report.4/

Assistant Secretary Baker presented a summary of the situation to Secretary Freeman and personally recommended rejecting the request to modify the boundary of the Primitive Area.5/ On May 17, 1968, Secretary Freeman announced his decision to deny the request to route Interstate Highway 70 through the Core Range--Eagle Nest Primitive Area in Colorado.6/

INTERSTATE 70 -- RED BUFFALO ROUTE

References

1. Memo from Droege to Baker, Mayll, 1967; Nordwall to Chief, June 13, 1967

2. Memo, Nelson to Regional Forester, R-2 Nov. 13, 1967; Memo, Nordwall to Chief, atten. Nelson, Jan. 11, 1968; Note, RF Droege to Cliff, Jan. 22, 1968.

3. Memo, Cliff to Baker, Jan. 24, 1968

4. Memo, Hjort to Baker, April 22, 1968

5. Memo, Baker to the Secretary, May 8, 1968

6. USDA Press Release 1604-68, May 17, 1968; with attached Statement by Secretary of Agriculture Orville L. Freeman.

REORGANIZATION WITHIN THE AGENCY

With the signing of the Economic Opportunity Act by President Johnson on August 20, 1964, the Forest Service undertook a major responsibility for organizing and operating many of the Job Corps Conservation Centers. The Division of Job Corps Administration was created within the Washington Office to direct and coordinate the program on the National Forests.[1/]

During the period of February 15 to July 2, 1965, a review of management practices and manpower utilization in the Forest Service was made by a team from the Department of Agriculture, the Civil Service Commission, and the Bureau of the Budget. The Review was conducted as part of the President's program for improved management and manpower control.[2/] In the implementation of the recommendations made by the team, the following actions were taken:

Two new State and Private Forestry Area offices in the eastern United States were established, one at Upper Darby, Pa., and the other at Atlanta, Ga. The Area offices were put in charge of coordinating the Forest Service work with private individuals and state foresters in the 33 eastern States. Each office was headed by an Administrator with responsibilities equivalent to those of the Regional Foresters and Station Directors.

Concurrently, the Regional Office at Upper Darby was discontinued and the administration of the seven northeastern National Forests divided between the Regional offices at Milwaukee and Atlanta.

The Central States Research Station was closed and its functions transferred to adjoining Research Stations at Upper Darby, Pa. and St. Paul, Minn. The Lake States Forest Experiment Station at St. Paul was renamed the North Central Research Station.

The Northern Forest Experiment Station at Juneau, Alaska, was reconstituted as the Institute of Northern Forestry, and attached to the Pacific Northwest Forest & Range Experiment Station.

Key position reorganization in the Washington Office of the Chief involved the establishment of an Associate Chief of the Forest Service; a Deputy Chief for Administration of the National Forest System which combined the former positions of Deputy Chief for National Forest Resource Management and Deputy Chief for National Forest Protection and Development; and an Associate Deputy Chief for Protection and Development.

REFERENCES

REORGANIZATION WITHIN THE AGENCY

1. Memo from Cliff to Regional Foresters, Directors, and WO Staff, August 17, 1964.

2. Memo Cliff to Regional Foresters, Directors, and WO Staff with enclosed survey, October 11, 1965.

3. Memo from Cliff to Robertson and Birkhead, September 17, 1965; Forest Service Press Release M-1370, February 18, 1966; USDA Press Release 652-66, March 4, 1966; Memo Fox to Barnes, August 1, 1966.

PROGRESS IN MAJOR LINES OF WORK

NATIONAL FOREST SYSTEM ADMINISTRATION

The years of the Johnson Administration -- November 22, 1963 to date--were marked by dramatic increases in the management of resources and intensity of use in the 187 million acres of National Forest land in the United States. This progress is noted in the Annual Report of the Chief of the Forest Service for the years 1964, 1965, 1966 and 1967.[1/] Some of the highlights are as follows:

Recreation use increased at the rate of about 10 percent per year. In 1963, the National Forests received 123 million recreation visits; in 1967, these lands received 150 visitor days use. The Forest Service responded to the increase of visitors by increasing its recreation sites from 9,810 with a capacity of 900,000 persons-at-one-time to 12,460 sites, including 35 visitor information centers, with a total capacity of 1,219,000 persons-at-one-time.[2/] In 1968 the appropriation for recreation came to about $40 million. Of all funds appropriated by Congress specifically for National Forest Recreation purposes, 64 percent was appropriated in the last five years.

When the National Wilderness Preservation System was established in 1964, the 54 National Forest Wilderness Areas containing about 9 million acres were put into the System. The Wilderness Act required the Forest Service to complete studies and make recommendations for or against wilderness status on one-third of the 34 National Forest Primitive Areas by September 1967. The schedule was met. The review resulted in Secretary Freeman calling for 12 additions to the National Wilderness Preservation System. To date, 2 new wildernesses have been established, the San Rafael and the San Gabriel, both in California.

The Land and Water Conservation Fund Act was another important piece of conservation legislation passed in 1964. It created a fund for the planning, acquisition and development of recreation facilities by the Federal government and by the states. The first purchase made by the Forest Service through the use of these funds was in October, 1965 when a 319-acre area along the Shenandoah River was acquired, inside the boundaries of the George Washington National Forest in Virginia. In July 1966, the Forest Service acquired the Sylvania Estages, an outstanding 18,000-acre area in Michigan's Upper Peninsula. A total of 181,660 acres of recreation land have been acquared by the Forest Service under the Land and Water Conservation Fund Act.

The first National Recreation Area within a National Forest was established September 29, 1965, when President Johnson signed Public Law 89-207 creating the Spruce Knob Seneca Rocks National Recreation Area as part of the Monongahela National Forest in West Virginia. The second such area, approved in 1966, was the Mt. Rogers National Recreation Area on the Jefferson National Forest in Virginia.

In response to recommendations from the Federal Interdepartmental Task Force studying the Potomac River Basin, the Forest Service made an intensive analysis of the scenic and recreation resources of the Massanutten Mountains Area of the George Washington National Forest. It developed an "Outdoor Patterns for People" pilot project for this area which, if successful, will be applied to similar National Forest Areas.

During the years 1964-67, a total of 45.2 billion board feet of timber were harvested from the National Forests. In this same period, a $489.3 million in timber receipts were deposited with the Treasury. Over 1,763,000 acres received stand improvement, and 935,000 acres were planted and seeded to trees.

The Forest Service constructed or reconstructed over 6,700 miles of roads and 2,670 miles of trails 1964-67.

From FY 1964 through FY 1967 the total receipts of the National Forest System were $639.7 million. Twenty-five percent of National Forest net receipts are returned to the States and counties for support of schools and roads in counties containing National Forest System lands. From FY 1969 through FY 1967 this figure was $139.2 million.

STATE AND PRIVATE COOPERATIVE FORESTRY

The Forest Service during the Johnson Administration cooperated in efforts to help the Rural Area Development programs. It has provided leadership, technical assistance, and training through the Cooperative Forest Management Program, the General Forestry Assistance Program, and Rural Areas Development. The Forest Service has representatives on RAD Technical Action Panels in every state and Puerto Rico. In 1963 they reviewed and made recommendations on more than 200 county and community development programs. In 1967, they reviewed and reported on 882 rural development projects, provided special assistance to 278 local development groups and 63 cooperative ventures, and serviced more than 328 special projects.

In 1964 a Committee on Forestry Cooperatives was established in the USDA to encourage the development of forestry-based cooperatives. The Forest Service was charged with the lead in implementing the recommendations of this committee.3/

The Forest Service cooperates in watershed protection and flood prevention projects under PL 83-566. During 1964-67, the Forest Service worked in planning watershed protection and flood prevention improvements on a total of 646 small watersheds.

The Forest Services cooperates with State Foresters to assist woodland owners. In 1967 108,000 owners were assisted, 6,000 more than in the last year previous to the Johnson Administration. Over 6 million acres of forest land were involved. As of July 1967, a total of 480 million acres of State and privately owned land was being protected under cooperative forest fire control programs, 50 million acres more than prior to this administration.

FORESTRY RESEARCH

Forest Service research strives to find better ways to protect and improve forest resources. President Johnson, on January 31, 1964, in his message on Agriculture directed the Department to "accelerate forest research to find new methods of wood utilization, better timber management techniques, improved fire protection, and more effective use of forest ranges."

On April 15, Secretary Freeman sent to Congress the report on "A National Forestry Research Program." The purpose of the program was to aid a rapid and effecient advnacement of programs aimed at increased forest resource management, protection and utilization.[4/]

In 1967 this program was superseded by "A National Program of Research in Forestry," prepared by representatives of USDA and State Research Organizations within the framework of the national research program for the Department of Agriculture. It set forth the research needs for the next decade and the goals to be achieved in forestry research under programs conducted by the Forest Service, State universities, and land-grant colleges.[5/]

A few examples of progress in forestry research in the last five years are:

--The Forest Products Laboratory further modified the semichemical pulping process to help eliminate stream pollutants. The low-cost process recovered 90 percent of the pulping chemical with little drop in pulp yield.

--A new system of snow measurement using a nuclear gage to permit accurate measurement of changes in the snowpack and lead to better forecasts of streamflow was adapted and tested by Forest Service scientists in cooperation with the Atomic Energy Commission.

--A team of California scientists working under contract for the Forest Service synthesized an attractant to lure one type of bark beatle, a pest of western pine. This was a major step towards eliminating widespread use of toxic sprays.

--As a result of research studies with sycamore, yields of wood fiber equivalent to 4-5 cords of pulpwood per acre per year may be possible.

--Forest Service scientists developed an electronic system that authomically pinpoints small fire locations frm fast, high-flying aircraft. The system, called fire scan, uses a target discimination module which flashes a warning when an infrared scanner picks up a "hot" target and automatically marks its location on processed film. Simultaneously, the location of the aircraft is determined by a Doppler radar linked to a small computer.

PROGRESS IN MAJOR LINES OF WORK

REFERENCES

1. Annual Report of the Chief of the Forest Service, 1968, will not be available until early 1969.

2. Facts and figures in this section are taken from the Annual Report of the Chief of the Forest Service for years 1964-67 unless otherwise noted.
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3. Memo from Cliff to Regional Foresters and Directors, August 17, 1964; Memo, Cliff to Regional Foresters & Directors, Dec. 22, 1964.

4. A National Forestry Research Program, MP No. 965, USDA Forest Service, May 1964.

5. A National Program of Research for Forestry, June 1967.

RURAL ELECTRIFICATION ADMINISTRATION

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1. Type of Loans Made by the Rural Electrification Administration.

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TYPE OF LOANS MADE BY THE RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration is an agency in the United States Department of Agriculture. It makes loans (1) for the purpose of bringing initial and continuing electric service to unserved persons in rural areas; 1/ (2) for the extension and improvement of telephone service in rural areas; 2/ and (3) for consumer financing of wiring, plumbing, electrical appliances and equipment, including machinery. 3/ All loans are self-liquidating, bear 2 percent interest and are amortized over a maximum period of 35 years. 4/

1/ Rural Electrification Act of 1936 as amended, Section, 4.
2/ Rural Electrification Act of 1936 as amended, Title II, Section, 201.
3/ Rural Electrification Act of 1936 as amended, Section, 5.
4/ Rural Electrification Act of 1936 as amended, Section, 4.

II HIGHLIGHTS OF ACCOMPLISHMENTS, 1963-1968

> "The reduction in rates for electricity used by farmers and other rural residents is as significant as a gain in rural income. The objective of the REA program throughout its existence has been to achieve parity of electric service and costs between city and country. I am gratified that the cooperatives are applying their resources and growing skills to keep faith with this important objective and purpose of our rural electrification program." -- Lyndon B. Johnson, White House Press Release, June 12, 1965.

Toward the attainment of REA's public objectives of parity rates and service for rural people, on an area coverage basis, through the construction and maintenance of systems which give the promise of permanent service, the following measures of progress were reported for the years 1963 through 1968. 1/

PROGRESS TOWARD THE ATTAINMENT OF PARITY AND AREA COVERAGE

- Total net electric loans, January 1, 1964 through June 30, 1968, $1,570,161,583.

- Total net telephone loans for this same period, $490,183,641.

- Total of REA loans for the period January 1, 1964 through June 30, 1968, $2,060,345,224.

- Due to transfer of properties, consolidations or repayment of loans in full, the number of active electric borrowers decreased from 1,000 on January 1, 1964, to 991 on June 30, 1968. The latter includes 924 cooperatives, 48 public power districts, 16 other public bodies, and 3 power companies.

- more -

1/ REA Statistics

. Active telephone borrowers increased from 813 on January 1, 1964, to 856 on June 30, 1968, and include 230 cooperative and 626 commercial companies.

. An estimated 680,000 consumers were added to the rural electric systems during the period January 1, 1964, through June 30, 1968. This increased the total number of consumers to 5,900,000.

. An estimated 475,000 subscribers received initial or improved service in the telephone program during this period, and the total number of rural subscribers served by the program rose to nearly 2,000,000. Better than 99 percent of the service is dial.

. Average retail rate paid by consumers on REA-financed lines dropped 13.3 percent, from 2.18 cents per kilowatt-hour in 1963 to 1.89 cents per kilowatt-hour in 1967.

. During fiscal years 1963 through 1968, REA borrowers made 647 retail rate reductions. On June 30, 1968, these reductions were saving consumers $20 million annually. There were 77 rate reductions in 1963, 111 in 1964, 126 in 1965, 151 in 1966, 92 in 1967 and 90 in 1968.

. Average cost of power purchased at wholesale went down about 6 percent, from 6.8 mills per kilowatt-hour in 1963 to 6.4 mills per kilowatt-hour in 1967.

. Average cost of wholesale power provided by REA-financed suppliers also went down about 6 percent, from 8.6 mills per kilowatt-hour in 1963 to 8.1 mills in 1967.

. 51,269 large and small industrial and commercial loads were added to the lines of REA-financed electric systems during the period January 1, 1964 to January 1, 1968. A total of more than 361,000 such loads were on the lines at the start of 1968.

. Dual rates and restrictive wholesale power contracts were reduced from 118 contracts involving 10 power companies in 1964 to 7 contracts involving 2 power companies in 1968.

. An estimated 90,000 miles of electric line were added during the period, increasing total mileage to 1,616,000.

. In the telephone program, an estimated 100,000 route miles of line were added, increasing total mileage to an estimated 513,000.

. In their search for ways to reduce construction costs, REA engineers, working with borrower consulting engineers and manufacturers, reduced the cost of a circuit mile of telephone line from $122* in 1963 to $81 in 1968. For REA borrowers, lower construction costs mean they are able to stretch the loan dollar to provide more people with better service under the area coverage principle.

. Research programs initiated by REA engineers made all-weather (buried lines) single-party telephone service possible for rural subscribers at rates close to those for 4- or 8-party service. 136,000 subscribers received single-party service from 261 exchanges.

* Cost of the average circuit installed.

. REA telephone borrowers set the pace for burial of telephone lines in 1963-1968. Contracts approved by REA during the period called for 64,058 miles of buried line. In 1968, about 85 percent of the contracts approved by REA stipulated this type of construction.

. Some 2,600,000 men, women and children benefit from the 680,000 electric connections made during this period.

. About 1,800,000 benefit from the 475,000 installations in the telephone program during the period.

PROGRESS TOWARD BORROWERS' SECURITY AND EFFECTIVENESS

. Owners' equity in the electric systems during the period January 1, 1964 to January 1, 1968, increased 43 percent from $954,241,641 to $1,360,310,090. As a percentage of total assets, this equity increased from 23.6 percent to 26.8 percent.

. Investment in total utility plant (electric) went up 31 percent, from $4,406,157,921 to $5,776,304,108.

. Operating revenues of the electric borrowers went up 37 percent, from $810,341,593 to $1,108,138,953.

. Owners' equity in the telephone systems increased 109.2 percent, from $96,165,444 to $201,166,489. As a percentage of total assets, the owners' equity increased from 10.5 percent to 15.1 percent.

. Investment in total utility plant (telephone) increased 53.9 percent, from $955,649,941 to $1,471,140,870.

. Operating revenues of the telephone borrowers went up 56.1 percent, from $153,126,709 to $239,069,921.

. Sales of power rose from 35.4 billion kilowatt-hours to 53.0 billion kwh, an increase of 49.7 percent.

. Average use of electricity per consumer per month rose from 565 kilowatt-hours to 751 kwh, an increase of 33 percent.

. REA makes generation and transmission loans under three conditions: (1) where no adequate and dependable source of power is available to meet the consumers' needs; or (2) where the rates offered by existing power sources are higher than the cost of power from facilities financed by REA; or (3) where the generation and transmission facilities are necessary to protect the security and effectiveness of REA-financed distribution facilities. Under these conditions, REA approved $704,447,027 in loans for such facilities during the period January 1, 1964 through June 30, 1968.

. These loans called for a net increase of 2,350,926 kilowatts of new generating capacity.

. Generating capacity actually installed and placed in operation increased 95 percent, from 1.9 million kilowatts in 1963 to 3.7 million kilowatts in 1968. Generating capacity financed by REA represents about 1.4 percent of the Nation's total capacity.

. REA electric and telephone borrowers made significant progress in the work of revitalizing Rural America, while improving their own financial stability through increased sales of their services. Through the stimulus of REA's Rural Area Development program, the borrowers helped to create 1,581 new or expanded industrial, commercial and community projects, giving employment to 113,000 rural people.

. REA stepped up activities in a 5-Star Member Service Program urging cooperatives to provide maximum services and benefits for their consumers and subscribers. Action was taken to assure that all members receive (1) the privileges of ownership; (2) the benefits of nonprofit operation; (3) adequate, dependable low-cost power and telephone service; (4) advice on the full use of electric and telephone service; and (5) information concerning the cooperative and its operation.

. Electric borrowers, working with the assistance of REA, were able to obtain territorial protection for electric distribution cooperatives in 14 additional states.

. For the first time REA and its borrowers gained recognition that rural electrification under the Rural Electrification Act is an important and vital part of nationwide electrification, serving in the public interest.

. For the first time REA and its borrowers moved to gain the economies inherent in large-scale generating units, power pooling arrangements and interconnections.

. REA and its borrowers faced up to the need for a supplemental form of financing and, in cooperation with the Department of Agriculture and the National Rural Electric Cooperative Association, sought legislation to this end, but failed, largely because of opposition by power companies.

. Electric and telephone borrowers reached an all-time high balance of $365.7 million in repayments of principal ahead of due dates. This was accomplished through a joint effort of REA and its borrowers to help reduce the outflow of cash from the U. S. Treasury. Called the "Joint REA-Borrower Cash Management Program," this effort reduced the flow of cash from the Treasury by $142.8 million in fiscal year 1968.

. Through official bulletins and personal contacts by field representatives, REA acted to create equal employment opportunity for all qualified persons, without regard to race, color, creed, or national origin, among borrowers and their contractors. By June 30, 1968, REA had received 1,781 Compliance Assurances from borrowers. REA's Administrator also appointed a special assistant to help create greater opportunities for minority groups in the REA programs.

. By making staff specialists available, REA has participated in the efforts of the Agency for International Development to export the REA pattern for rural electrification and rural telephony. Seven electrification specialists, and two telephone specialists have given technical advice and assistance in 10 countries.

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August 1968

A SENSE OF PURPOSE COMES TO REA

With the advent of the 1960's, the electric program of the Rural Electrification Administration had been slowly running down, losing momentum and direction, living on the glories of the past more than sensing the challenge of the future. With the goal of area coverage seemingly accomplished to all practical purposes, there appeared to be no other beacon light to guide its daily course. 1/

In the newer REA telephone program, there was serious concern and dissatisfaction. The National Telephone Cooperative Association had adopted a resolution in which it requested that "REA policies be revised to conform with the purpose and intent of the Act and that REA aid and assist telephone cooperatives in accomplishing this original purpose to a greater degree." 2/

In the more controversial electric program, the consideration of the counting house had become the major concern. REA had become a banking operation rather than the agency fostering a great social program for the betterment of rural life it originally was and still should be. As a banking operation, it became a natural prey to public irritation over the interest rate. There was misunderstanding and resentment of the borrowers' modest but growing financial resources, and a vague feeling that since the job of rural electrification seemed to be done, perhaps it was time to put an end to any further participation of the Federal Government in such activities.

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1. "Toward Parity, Progress and Permanence," Administrator Norman M. Clapp, NRECA regional speech, 1964.
2. National Telephone Cooperative Association, regional speech, Administrator Norman M. Clapp, 1964.

The National Rural Electric Cooperative Association was so busy fighting truly heroic rear-guard actions against the steady pressure for phasing REA out of rural electrification, it could do too little else. The enemies of the rural electric cooperatives patiently but confidently awaited the outcome. Only occasionally did they send delegations in force before Congressional committees to urge the extinction of REA. They were confident it was already dying.

Said the Edison Electric Institute in 1962: "The original purpose of REA has already been accomplished. Virtually all the nation's farms have electric service." 3/

Said the American Enterprise Institute in 1963: "From its inception in 1935 and its statutory establishment a year later, REA has had one explicit purpose, and one only: to bring electricity to the nation's farms. About 98 percent of all farms now receive central station service -- over half of them from REA borrowers." 4/

The fact that the rural electrification program was truly a rural electrification program, 5/ not farm alone, and was intended to improve the economic and social well-being of rural people was overlooked. 6/

But there were changes forthcoming as the electric and telephone programs moved forward in the 1960's under President Lyndon B. Johnson. The result was that rural electrification and rural telephony were given a renewed sense of purpose.

REA and its borrowers began gaining recognition of the concept of parity of electric service for rural consumers as the basic objective of the REA program.

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3. "The Deviation of REA," Edison Electric Institute, 1962.
4. "The Rural Electrification Administration-An Evaluation," American Enterprise Institute, 1963.
5. The Rural Electrification Act of 1936, As Amended
6. "Facts About Parity in Rural Electrification"

REA refocused attention on the true justification of REA financing and technical assistance as necessary equalizers in overcoming the handicaps of distance, inadequate volume, isolation, and lack of load diversity which would otherwise make rural electrification impractical in many, many rural areas.

REA recognized that the terms and conditions of power supply affect not only the operating costs of the rural electric systems, but their ultimate survival and effectiveness as well.

Now, REA looks to the preservation of the rural electric cooperatives as a necessary and permanent segment of the electric industry to keep the lights burning in rural America.

REA and its borrowers recognize this enterprise in which they are joined as 'rural' electrification because of the very special problems confronting those who pioneer in bringing central station electric service to rural areas. But the plain fact is that this important program is a part of nationwide electrification. Good low-cost electric service is vital to the life and economic development of rural areas. The needs of these systems and the areas they serve are part of the needs of the Nation. The resources they represent, both present and potential, are important to the full achievement of the maximum potential of the Nation and its people. 7/

REA looks to the strengthening of these systems through the economic development of their rural service areas, the winning of territorial integrity, and the constant improvement of cooperative management.

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7. "Rural Electrification in the Big Picture," Administrator Norman M. Clapp, 1967

These are the principles that have guided REA policy under the Johnson Administration. REA has supported these principles with a record of action which speaks for itself.

No Administration in the history of the program has sought--and secured--as much budgetary support for rural electrification needs as has this Administration.

REA-financed generation and transmission has been made more widely available than ever before in the history of the program. An example of this is the $97 million loan for G&T to the Basin Electric Power Cooperative in Bismarck, North Dakota, in October 1968. This loan, the largest in the history of the REA electric program, will finance a 400,000-kilowatt, lignite-fired, steam generating plant near Stanton, North Dakota. Almost 1 million men, women and children in rural areas in 8 states receive their electric service from the 98 REA-financed distribution systems which benefit from the wholesale power supply plan developed by Basin. These people reside in North and South Dakota, Colorado, Iowa, Minnesota, Montana, Nebraska and Wyoming. The systems constitute about 10 percent of all electric cooperatives financed by REA.

The two percent interest rate has been preserved, while studies into means of securing supplemental financing have been launched.

The third criterion came into its own as a part of REA policy for approving generation and transmission loans. As a consequence, REA policy now approves the financing of generation and transmission facilities in situations where the

available sources of power are inadequate or unreliable, where REA-financed facilities would result in lower power costs, or where necessary to protect the security and effectiveness of REA-financed systems.

Through the newly established Power Supply Division, far greater interest was placed on more advanced power supply arrangements utilizing large-scale generating units and wider pooling of facilities.

REA began to wage an unremitting war on dual rates and other restrictive provisions in which REA borrowers had been subjected to in their wholesale power contracts. Such provisions had made it impossible for rural electric co-ops to serve large loads developing in their own service areas.

The Model Territorial Protection Bill began being used widely as a guide to local action in waging the all important battle for territorial integrity in the states.

REA began working closely with its borrowers in rural areas development -- on projects which would not only improve the feasibility of local electric and telephone facilities financed by REA but also contribute to the overall economic health and progress of the areas they serve.

Significant changes in REA guidelines for the treatment and payment of consumer capital credit opened the way to clarifying the true nature of cooperative operation in this field of electric service.

Electric borrowers began making retail rate reductions to consumers in greater numbers than ever before.

The mounting criticism directed against the accumulation of reserve funds by REA borrowers virtually disappeared as a result of the establishment of a reasonable and fully accepted level of general funds which can be regarded both as justifiable and necessary from the standpoint of a sound business operation.

REA launched the 5-Star Member Service program -- designed to help borrowers make their own evaluations of the operations and effectiveness of their own cooperative systems.

All this has been involved in the task of re-energizing the rural electrification program.

With new direction, REA telephone borrowers regained confidence in the program and moved forward to carry on their mission of serving rural America. In the period between January 1, 1964 through June 30, 1968, 422,000 subscribers received initial or improved telephone service, and the total number of rural subscribers served by the program rose to nearly 2 million. Better than 99 percent of this service is modern dial. Today, largely due to the REA telephone program, about 80 percent of the Nation's farmers enjoy modern telephone service.

Many factors have contributed to this record of success, including breakthroughs in equipment design and construction techniques, pioneered by REA engineers and developed with the close cooperation of the telephone industry. Largely because of engineering achievements, the cost of constructing a circuit mile of rural telephone line has actually gone down when the cost of nearly everything else has been going up.8/

Moreover, rural people enjoy a quality of telephone service almost undreamed of less than two decades ago.

Today, the old magneto crank telephone has all but been replaced in rural homes. In its place is the modern dial telephone with modern transmission capabilities and quality.

Overhead telephone lines are being placed underground at a rapidly accelerating pace, helping to preserve the beauty and the open space of the countryside and provide more reliable systems -- free from the hazards of weather. About 80 percent of all construction now under contract is for underground lines. And, through newly developed techniques pioneered by REA engineers, the cost of these and other improvements is consistently being lowered.

For example, voice frequency repeaters, designed to meet REA engineering specifications, boost the strength of signals going over rural telephone wires and allow rural systems to use less expensive finer gauge cables in new construction. Last year, more than 30 percent of all circuits constructed by REA borrowers used this smaller gauge wire and saved as much as $38 on each circuit mile of line constructed.

8/ National Telephone Cooperative Association Annual Meeting Speech, Administrator Norman M. Clapp, February, 1968

The cost of these repeaters has also gone down. Today, three manufacturers, by following REA engineering specifications, are producing repeaters at half the cost of previous models.

REA borrowers make further savings by utilizing existing construction to serve new subscribers rather than build new lines. Low-cost subscriber carrier equipment, designed to REA engineering specifications, is now being used throughout the telephone industry. Embodying the latest concepts in electronic design techniques, this equipment is simple to install and maintain by unskilled personnel. With it, the wire it formerly took to serve only one subscriber can now serve up to six rural subscribers simultaneously.

Engineering achievements -- part of the technical assistance of the REA telephone program -- are thus making their contribution towards realization of two long-term objectives of REA -- area coverage, and telephone service for rural people comparable in quality and rates to what people in urban centers enjoy. Lower construction costs contribute substantially to the ability of the systems to reach out and serve the thin areas.

In taking stock of the many aspects of rural electrification and rural telephony, the objectives of REA borrowers might well be described as Parity, Progress and Permanence.

Under the leadership of President Johnson, who had personally experienced the hardship of rural life without electric service,[9/] REA and its borrowers stood firm on these public objectives of the electric and telephone program:

(1) Service for rural people under rates and conditions comparable to those available in neighboring urban communities;

(2) Area coverage under these conditions; and

(3) The construction and maintenance of systems strong enough financially and operationally to hold out the promise of permanent service.

To put things in perspective, REA brought to light the handicaps inherent in rural electrification:

- Low consumer density per mile of line.
- Low revenue per mile of line.
- High cost of power.
- Lack of diverse electrical loads.
- Pockets of poverty.
- Few large power consumers.
- Systems isolated from sources of power.

In 1964 the public and many borrowers learned that the REA-financed electric systems served an average of only 3.5 consumers per mile of line, compared with an average of 34 per mile for the Class A and B utilities. And for the first time the public learned that the disparity in revenues for the operation of that mile of line was even greater: an annual average of $516 for the rural systems and $7,820 for the Class A and B utilities. REA was making the point that rural electrification in most areas needed certain

9/ "Rural Electrification Looks to the Future," Administrator Norman M. Clapp, 1964. 127

equalizers to get the job done. It emphasized that three of these equalizers were provided in the Rural Electrification Act, but that others had to be developed through the cooperation of REA and its borrowers. The Agency listed these equalizers in the Act: low-cost financing, technical assistance from REA and the authority to finance generation and transmission facilities.

The joint-effort equalizers were labeled basic, because they were and are considered basic to the realization of the public objectives of the REA electric and telephone programs. They include:

- New emphasis on nonprofit operation by cooperatives.
- Rural areas development.
- Territorial protection for the system.
- Application of new techniques in today's electric industry to reduce power costs through large-scale generation and power pooling arrangements and interconnection.

Today, even after some years of development, subscriber density per route mile for telephone cooperatives is 2.5. It is 4.8, or nearly double, for the commercial borrowers. Many cooperative systems average as few as 1.5 subscribers per mile. For independent companies which report to the United States Independent Telephone Association, subscribers average 16.3 per mile, and Bell System companies, by way of greater contrast, average better than 40 subscribers per mile.

As for revenues, the gap is even more pronounced, Cooperatives average out at $261 per mile; commercial borrowers at $581, or more than double that of cooperatives. For the Independents which report to United States Independent Telephone Association it is $2,779, or nearly nine times that of cooperatives. Comparable data are not available from the Bell System companies, but it is safe to assume with their large number of subscribers per mile and their substantial toll revenue -- that the figure is much higher.

REA electric and telephone borrowers in the 1963-68 period, with firm and reasonable objectives well established and with definitive guidelines for their achievement, moved forward with a strong sense of purpose, backed up by the unprecedented support of a President.

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TERRITORIAL INTEGRITY

> "...We must advance that success (the success of rural electrification) and bring it up to date by assuring the growth of the nation's rural electrification systems in the areas they have been called upon to serve" -- President Lyndon B. Johnson in his Farm Message to the Congress, February 27, 1968.

The legal framework for territorial protection varies widely among the States. In recent years, the growth of population in the United States has brought a boom in housing and industrial development in some rural areas served by REA borrowers that formerly were open country. The growing market potential in these areas has, in many instances, attracted other suppliers, and this in turn has produced conflict.

In general, maximum protection is possible where the State law provides a means for the cooperative to obtain exclusive rights to serve a particular geographical area. This can be defined in a certificate of convenience and necessity issued by a State regulatory body, or fixed by the application of certain criteria in State Law.

Until 1963, Congress had remained silent on the subject of territorial integrity for rural electric cooperatives. However, REA placed renewed efforts on bringing the territorial protection question to the attention of Congress. When the Senate Committee on Appropriations filed a report on September 12, 1963, it stated:

> "The committee expects the (REA) Administrator to examine into all complaints which may come to his attention concerning territorial disputes between REA cooperatives and commercial power companies, except in States having adequate statutory provisions for determining territorial and service rights, and report to the committee in January of each year the salient facts involved, the disposition of the complaints, and the basis for such disposition." 1/

Subsequently, REA asked its borrowers to comply with the report and issued a bulletin spelling out the information to be included in their annual report to REA.2/ In a 3-year period, 111 disputes were reported, involving some 2,600 consumers. An analysis of the information supplied to the Senate committee for this 3-year period showed that less than 14 percent of the disputes reported occurred in the 30 States providing some degree of territorial protection. The 16 States providing no territorial protection accounted for more than 86 percent of the disputes.

Some degree of legal protection has been established in 14 additional states since 1963. However, electric cooperatives still have no legal protection against loss of consumers to commercial power systems in 14 of the 46 States in which REA-financed electric systems operate. In nine States, protection is limited to existing facilities and services. In eight other States, some protection is afforded to new consumers within a limited distance from existing facilities, in addition to protection for existing facilities and services. Cooperatives can obtain certificates giving them exclusive service areas in only 15 States.

Dual rates and related restrictions, which limit the ability of distribution systems to benefit from serving large power or other beneficial loads, have all but been eliminated from wholesale power contracts. In 1964, 118 contracts involving 10 companies contained such provisions. By 1968, the number of restrictive contracts had been reduced to 7 involving only 2 companies. This progress is the result of patient and persistent bargaining, backed by the availability of generation and transmission loans.

1/ Supplement to REA Bulletin 3-3, December 4, 1963
2/ Ibid.

REA-financed telephone systems, unlike electric borrowers, generally are not troubled by territorial encroachment because telephone service areas have historically been more clearly recognized and protected by assignment in all but a few States.

But if rural electric cooperatives are permitted to retain the commercial and industrial as well as residential loads they helped develop in their service areas, they can make progress toward the objectives of the program and hasten the time when they are less dependent on Government financing. On the other hand, a lack of territorial protection retards their development and tends to create financial insecurity, which will lessen or postpone indefinitely the opportunity for private financing.

RURAL AREAS DEVELOPMENT

"... The rural American displaced by technology has a proud heritage of hard work. He does not want welfare. He wants a job..." President Lyndon B. Johnson -- Message to Congress entitled "Prosperity and Progress for the Farmer and Rural America," February 27, 1968

Rural Areas Development is one of the basic equalizers of the REA rural electric and telephone programs. It is important in helping to overcome the handicaps inherent in serving rural areas and in achieving a parity of electric and telephone service for rural people. REA's emphasis on rural areas development activities recognizes responsibility for assisting borrowers to improve local economic conditions in promoting loan security and in furtherance of the objectives of the rural electrification and telephone programs. 1/

REA electric and telephone borrowers, working with REA's small Rural Areas Development staff in the period from January 1964 through fiscal year 1967, helped create 1,581 new or improved projects in their respective service areas. These resulted in 113,000 jobs.

The increase in annual revenues to electric and telephone systems as a result of having on their lines the more than 1,500 enterprises launched or expanded during this period amounted to an estimated $12 million annually. Added to this, the higher incomes of rural people on the new plant payrolls enable their greater use of electric and telephone service as well as the services of other local businesses, which also use more electricity and telephone service.

REA borrowers receive assistance in providing or locating technical assistance for new projects, in locating financing sources, in formation

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1/ REA Bulletin 800 - 1, Rural Areas Development

of local development organizations and in planning for needed community facility projects.

From January 1964 to August 1965, REA assisted its borrowers in launching 522 industrial, commercial and community facility projects. An estimated 48,000 new jobs were created for rural people in the new plants or indirectly in service and other affected industries.[2/] During fiscal year 1966, the projects amounted to 443, and new jobs, 31,000[3/] and in 1967, 616 projects and 34,000 new employment opportunities.[4/]

2/ USDA Press Release, September 24, 1965
3/ USDA Press Release, December 14, 1966
4/ REA Press Release, January 23, 1968

APPLICATIONS OF NEW TECHNIQUES IN TODAY'S ELECTRIC INDUSTRY TO REDUCE POWER COSTS

...Rural electrification is a great American success story.

> We must advance that success and bring it up to date by assuring the growth of the nation's rural electrification systems in the areas they have been called upon to serve. Those systems must have access, under fair and reasonable rates, to bulk power supplies. In this way, they can continue to provide a reliable, uninterrupted, and inexpensive flow of electricity into America's farm communities on a par with more populous communities. -- President Lyndon B. Johnson in his Farm Message to the Congress, February 27, 1968

By 1964, even the critics of the REA electric program seemed to admit grudgingly the necessity for long-term, low-cost loans; encouragement of nonprofit modes of operation; and technical assistance from REA -- for distribution systems.

But it was not so clearly understood that these same equalizers were just as essential for generation and transmission systems, also authorized by the Act.[1/] Neither was it clearly understood that generation and transmission facilities themselves were a necessary equalizer if rural people were to achieve parity of rates and service.

REA recognized this situation and made its position clear: "Too many times we have heard the G&T program discussed as if it were something separate and apart from the main stream of rural electrification. We hear it implied that the task of rural electrification is only one of distribution, that generation and transmission represents something foreign to the traditional concept of lighting up rural America, that it is somehow new and unnecessary."[2/] "...Generation and transmission is part and parcel of the rural electrification program. The basic objective of the G&T cooperative is precisely the same as the objective of the distribution cooperative, and that is to achieve a parity of electric rates and service for rural people. The success of the G&T ought always to be measured against this objective."[3/]

1/ "The Administrator is authorized and empowered...to make loans...for the purpose of financing the construction and operation of generating plants, electric transmission lines or systems for the furnishing of electric energy to persons in rural areas..." Section 4, Rural Electrification Act of 1936

2/ Norman M. Clapp. July 25, 1964. Mooreland, Oklahoma.

3/ Ibid. June 3, 1964. LaCrosse, Wisconsin.

The largest single item of expense in the operation of an electric distribution system is the cost of wholesale power. For the average REA-financed rural electric system, power cost represents 43 percent of the cost of providing service. 4/ More favorable wholesale power costs, therefore, contribute significantly toward offsetting the generally higher costs faced by rural power systems.

By the end of 1963, the G&T program had evolved through two distinct phases and was moving into a third. At the outset, the program was confined almost entirely to financing small isolated plants dedicated to the sole needs of a single cooperative. These small plants were of great help in those early days. They provided electricity, but were limited in their capacity and high in their cost of power production.

By 1964, virtually all REA-financed plants were interconnected in some way with other facilities. From the initial provision of emergency interconnection for standby purposes and exchange of low-cost energy, all of these systems had achieved in some degree joint use of facilities through parallel operation involving an interconnected transmission system. In the development of generating facilities, the federated cooperative G&T organization was emerging.

In 1964, REA announced that the G&T program was moving into a third phase prompted by a rapidly developing technology in the electric field: "Rising costs of capital facilities must be countered by even greater efficiencies and maximum utilization of investment. This means greater use of large-scale generation and far greater emphasis on pooling of resources, not only among cooperatives but with other utility systems, both public and private. We must look not only to

4/ REA Statistics

local arrangements, but to regional and even inter-regional power supply patterns." 5/

A $39 million loan in December 1963 opened the door to the economies of large-scale generation coupled with the operating technique of power displacement and the business agreement of pooling capacity and facilities among power suppliers to get maximum use of plant investment for all parties. Under an arrangement with two commercial power companies, the benefits of the electricity generated by the United Power Association in Stanton, North Dakota, would be delivered to distant consumers without requiring all the transmission facilities necessary to deliver the power itself to them. Power generated by the commercial suppliers is delivered to rural cooperatives in Minnesota and Wisconsin. A like amount of power is then supplied by the United plant to investor-owned utility companies in North Dakota.

Located in the rich lignite fields of North Dakota, United is one of three REA-financed generating plants designed to utilize this low-cost fuel. Their location permits a fuel cost about half that of fossil fuel, and they have helped reverse the economic decline of Central North Dakota through the large-scale development of a once dormant natural resource. Until the REA-financed plants came along, no extensive use had been made of the lignite fields.

In February 1964, a new REA policy required completion of a power supply survey before making any loan for generation and transmission facilities. The purpose of the surveys is "to assure adequate review of existing and

5/ Norman M. Clapp. July 25, 1964. Mooreland, Oklahoma.

proposed power supply alternatives and to encourage closer cooperation between REA borrowers and other electric power suppliers."6/

By the end of 1964, the Agency was able to announce that the cost of wholesale power had fallen to a new low on the lines of REA-financed electric systems.7/

During hearings for the 1964 REA appropriations bills, the Senate Committee on Appropriations clarified its position with respect to REA loans for generation and transmission by stating:

> "...This committee believes that both the rural electric cooperatives and the private power companies who furnish most of the supply of energy needed to serve the electric cooperatives are here to stay, and they should make every effort to enter into earnest negotiations in reaching power supply contracts because it is to the mutual advantage of the cooperatives and the private power companies to enter into satisfactory power supply arrangements."8/

After suggesting guidelines subsequently adopted by REA for power supply surveys, the Committee lent its support to REA's efforts at reducing the number of power supply contracts imposing dual rates or restrictive clauses by stating:

6/ REA Bulletin 111-3. "Power Supply Surveys"

7/ USDA Press Announcement 3822-64. November 12, 1964.

8/ Senate Report 497, p. 27. Hearings on 1964 Appropriations.

> The committee is opposed to the imposition of dual rates in power supply contracts and believes that the cooperatives should state their needs clearly and concretely, and that the suppliers of power should in turn clearly set forth the terms and conditions of power supply contracts. 1/

During the 5-year period from 1963 to 1968 the facilities financed under the REA generation and transmission program made singular progress in cutting power costs for rural people and in insuring that future demands for electric power would be met. The average cost of wholesale power was lowered 6 percent, from 6.8 mills per kilowatt-hour in 1963 to 6.4 mills per kilowatt-hour. The cost of wholesale power provided by REA-financed suppliers also dropped 6 percentage points during the same period from 8.6 mills per kilowatt-hour to 8.1 mills.

The wholesale power needs of rural distribution systems was met during this period by an expanded loans program. REA loaned $774.1 million for generation and transmission since the end of 1963, bringing the capacity of REA-financed generation units up to over 3.6 million kilowatts.

REA and its borrowers made progress in eliminating restrictive wholesale power contracts. From 1963 to 1968, dual rate and restrictive contracts between REA distribution systems and private power companies were reduced from 118 contracts involving 10 companies to 7 contracts involving only 2 companies.

1/ Ibid.

In 1968, the Senate Committee on Appropriations reaffirmed its support of REA's loan program for generation and transmission facilities by stating:

> "The committee recognizes that generation and transmission facilities are, in many rural areas of the Nation, a necessary part of the rural electrification program. It is aware of the beneficial effect which the operation of these facilities has had in reducing wholesale power costs for the distribution cooperatives serving the thin rural areas. It recognizes the need for 'heavying-up' generation and transmission facilities, as well as distribution facilities, to enable power-type cooperatives to meet their power supply obligations to their members and honor their commitments to other electric power systems where they are working together in power pools. It acknowledges the importance of having financing available for such facilities where distribution systems find it necessary to escape from unreasonable or damaging conditions sometimes imposed by unfriendly power suppliers."10/

Today electricity constitutes about one-quarter of the total energy used in the United States. This is double its proportionate share of the energy market of 25 years ago. To meet this growing demand, significant changes are taking place in the industry. In generation, two trends are developing: to large or giant-scale units and to low fuel cost. Because of the economies it affords, the industry is moving toward greater coordinated and joint ventures.

10/ Hearings on 1969 Appropriations. Senate Report 1138.

And although the enterprise in which REA and its borrowers are joined is referred to as "rural" electrification, in reality this program is part of nationwide electrification.

Today there are more than 400 REA-financed rural electric distribution systems federated into 41 power supply cooperatives across the country. In recent years, REA has given special encouragement and emphasis to this effort -- to align these generation and transmission organizations with other power suppliers, public and private, in the development of power pools from which the economic and operational benefits of coordinated planning, investment and operation can be shared by all participants on an equitable basis.

Greater emphasis on interconnections and pooling of facilities with the added refinements of power displacement to maximize the efficient use of plant investment is illustrated in Missouri. Associated Electric Cooperative, Inc., binds six generation and transmission cooperatives into one great service organization, and represents one of the foremost steps taken in America to improve the economic status and the living standards of rural communities. Through this arrangement hundreds of thousands of people get the benefits of hydroelectric power coupled with large-scale thermal generation through high voltage transmission.

This large-scale power arrangement worked out by the cooperatives, three power companies, a number of municipalities, and the Southwestern Power Administration, represents an outstanding example nationally of what can be accomplished, by working together, to make more efficient use of electric power resources to reduce the cost of power.

And there were other significant arrangements, such as those of the Basin Electric Power Cooperative with the Bureau of Reclamation in the Upper Missouri River Basin, and those of Colorado-Ute Electric Association, Inc., with the Bureau of Reclamation and the Salt River Project in the Upper Colorado River Storage Project area; the arrangements between United Power Association and Northern States Power Company and Otter Tail Power Company in North Dakota and Minnesota.

Buckeye Power Incorporated of Columbus, Ohio, a federation of 29 REA-financed distribution cooperatives, joined forces with the Ohio Power Company to build a 1,230 megawatt generating plant. Power from the plant is delivered to Buckeye member cooperatives over transmission facilities of the Ohio Power Company and those of other commercial power suppliers in the State. In announcing the arrangement in June 1968, the REA Administrator said:

> "Ownership of this major generating source together with the transmission arrangements which have been worked out with Ohio Power and other power companies in Ohio is an historic step forward for the rural electric cooperatives of Ohio and a very significant contribution to the progress of the rural electrification program.
>
> "For the first time, a group of electric distribution cooperatives financed by the Rural Electrification Administration have successfully gone to the private money market and obtained funds to finance their own generation facilities."11/

11/ Statement by Norman M. Clapp. Issued June 27, 1968.

These are the beginnings. There are still long steps ahead which must be taken to give rural electrification full and equitable access to the economies of billion kilowatt generating units and the new big bulk transmission systems of the future.

To do so will require a recognition by the electric industry not only that the rural electric cooperatives are here to stay, but that it is in the public interest that they are here to stay.

Attachment:

"REA's Power Supply Program." Address by Norman M. Clapp. Houma, Louisiana. May 10, 1968

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BORROWER DEVELOPMENT

"The technical assistance and favorable financing received by the rural electric systems of this nation have been indispensable to the progress made in rural electrification ...and will undoubtedly continue to be necessary to some degree in the foreseeable future. We must...strengthen these rural systems....This will require energetic emphasis on rural areas development - maximum utilization of facilities - constant improvement of power supply arrangements - constant progress in management efficiencies..." -- Lyndon B. Johnson, Message to NRECA Annual Meeting, Dallas, Texas. March 8, 1964

During the 1963-68 period, REA placed special emphasis on the development of electric and telephone systems it finances. Programs of technical assistance to borrowers are of major concern to REA for two reasons:[1/]

1. Strong, viable organizations are necessary to provide electric and telephone service of a kind comparable in cost and quality to urban service, and assure its continued availability into the future.
2. The road to sound Government economy in the REA program (is) the strengthening of the rural electric and telephone systems so that their need for Federal assistance will diminish and eventually end.

Over the past five years, REA intensified its program to assist borrowers in building the strength needed to permit them to provide parity of service, to attain the security needed to assure that they will be able to do so on a continuing basis, and to attain ultimately the strength to do so with little or no Federal assistance.

1/ Annual Report of the Administrator. 1966. p. 25

To coordinate and direct more effectively the staff resources and activities for this purpose, the position of Assistant Administrator for Borrower Development was set up in 1966, and REA undertook a reorganization of its operations to sharpen and measure assistance to borrowers in building their internal strength.

This assistance was specifically organized to help borrowers build their strength through improved management, economic development of their service areas, territorial protection of the areas they developed, and arrangements of adequate, dependable power supply.

REA borrower development activities were based on the assumption that borrowers and their organizations must marshal and use their own resources to build their strength. Working with its borrowers, which are generally quite small in comparison to other utilities, REA assisted them in devising ways in which they can work together to attain the economies of size.

As the borrowers further develop they and their organizations can handle more and more of these activities with decreasing technical assistance from REA. Similarly, their growing strength and security lessens their dependence on REA loan funds.

In 1966, REA began building into its borrower development program measurement devices so that the progress of borrowers and evaluation of their need for REA assistance would be a continuing part of its activities.

Borrower development activities are planned on the basis of a recognition that each borrower faces different problems, is at a different stage in its own growth and possesses different potentials. Each is at a different stage in its progress toward the day when, without REA assistance it can provide, on a continuing basis, service comparable to that available in urban areas.

Five-Star Member Service Program --

To assist borrowers in re-evaluating their member service benefits, REA, in its role as advisor, launched the Five-Star Member Service Program in 1963. Its purpose was to examine the cooperatives' effectiveness in providing: (1) member benefits from ownership and control of their cooperatives; (2) member benefits from nonprofit operation of the cooperative; (3) member benefits from adequate and dependable service; (4) member benefits from full use of facilities; and (5) member benefits from telling the co-op story.2/

Operations field representatives in both the electric and telephone programs met with boards of directors of cooperative type borrowers to help them conduct inventory and appraisal analyses to determine those management areas which required further improvement. By the end of fiscal year 1966, most REA borrowers had held inventory sessions and follow-up appraisal meetings which led to substantial improvements in policies, procedures, and operations of these borrowers.

As a direct result of the Five-Star Member Service Program, a consistent improvement in borrower's capabilities in the field of member service activities was evidenced. For example, systems utilizing written long-range engineering and financial plans increased from 77 percent in 1966, to 84 percent in 1967, while the percentage employing long-range financial forecasts as a tool for planning grew from 67 percent to 75 percent during the same time period. Almost half of the borrowers now operate under a formal annual work plan in the fields of Member Service Development.

2/ REA Bulletins 100-3 and 300-7

Overcoming Smallness, Isolation

A major goal of REA's borrower development program was to assist borrowers in overcoming the handicaps of size and isolation. Working together, many small systems are able to attain the greater operational efficiencies of large enterprises while retaining the advantages of small, locally controlled organizations.

Interborrower cooperation made it possible for the small rural electric or telephone system to achieve the economies possible through modern, but expensive, data processing equipment. Linked by common problems, they can now be linked by facilities that will enable a computer in a central location to handle billing and other work for systems scattered over the plains and mountains.

By the end of fiscal year 1966, more than one-third of electric borrowers were using some sort of automatic data processing in their operations, and interest in this area is now developing among telephone borrowers. Participation in arrangements that would permit joint use of electronic computer processing equipment was being considered by a substantial number of borrowers.

REA provided technical assistance in data processing to help familiarize borrowers with new equipment suitable for their needs. It also helped them to determine sound organizational patterns for processing information and for programming local applications most effectively.

Other Assistance

Specialized management assistance was also provided by REA, where needed, in areas of labor relations, regulatory commission relations, retail rates, insurance, new director training, bylaws development, annual meetings, financial planning, and comparative operational analysis through comparison of an individual borrower's expenses with those of a number of systems. Such comparisons available to borrowers established targets for management and operational improvement. At the close of fiscal year 1968, REA inaugurated a pilot program for coordinating service to borrowers.2/ The program was initiated on a limited basis to secure as much experience as possible before extending it to additional borrowers. Correspondence courses in engineering and accounting were maintained for borrowers' personnel through the U. S. Department of Agriculture Graduate School.

2/ Attachment

CASH MANAGEMENT

> ".... It was never more necessary for all Americans to see the whole economy in perspective -- to realize its achievements, to recognize its problems, to understand what must be done to develop its full potential for good...." President Lyndon B. Johnson (From the President's annual economic message to Congress, February 1, 1968)

In 1966, the Rural Electrification Administration announced a program unique in the Federal Government. First, under the Joint REA-Borrower Counter Inflation Program 1/ and later, under the Joint REA-Borrower Cash Management Program, the rural electric and telephone borrowers were called upon to help temporarily in reducing, on a volunteer basis, the net cash outflow of the U.S. Treasury.

The borrowers were to do this in two ways: by deferring cash withdrawals from the Treasury and by stepping up the deposit of advance repayments on loan accounts ahead of schedule.

Responding to the call, the borrowers in fiscal year 1968 reduced the outflow of cash from the Treasury by $142.8 million. 2/ The result was that the net outflow of cash from the Treasury to finance the electric and telephone programs was $190.8 million. Without the program this outlay would have been expected to reach $333.6 million.

Instead of withdrawing cash from the Treasury under approved loan contracts, the borrowers in the fiscal year tapped their own renewal and replacement funds for $97 million to help finance essential construction. On top of this, they banked an additional $45.8 million of their reserve funds with the Treasury by making advance repayments on their loans. They did this while making scheduled interest and principal payments in the amount of $258.4 million.

Including the repayments made ahead of due dates during fiscal year 1968, the rural electric and telephone systems had a balance of $365.7 million on deposit with the Treasury in these repayments as of June 30, 1968.

The results of the Cash Management program in fiscal year 1968 were even more impressive than the previous year's reduction of $104.7 million in the net cash outflow from the Treasury.

REA Administrator Norman M. Clapp called the response by REA borrowers in fiscal year 1968 "a remarkable demonstration in working with their Federal Government." He said, "it is a splendid example of what can be accomplished when the people and the Government work together in a well-developed plan of action within an atmosphere of mutual understanding and confidence." 1/

The Cash Management Program has helped make it possible to keep REA loans at a comparatively high level during the last several years when there has been a heavy drain upon the cash resources of the Federal Government to meet all our national commitments--the commitments to vital domestic programs as well as our national security commitments aborad including Vietnam. This contrasts with the sharp drop of 25 percent in the annual level of electric loans approved during the Korean conflict: viz. $221.8 million in FY 1951; $165.8 million in FY 1952; and $165 million in FY 1953, the last year of the Korean conflict. By comparison, in the last few years when we have been occupied in Vietnam, the annual level of electric loans approved was maintained: viz. $311.8 million in FY 1966; $352.4 million in FY 1967; and $350 million in FY 1968. 2/

1/ REA Bulletin (Electric, 1-6; Telephone 300-9) October 25, 1967 and Jan. 2, 1968. Memorandum to Boards of Directors of REA Borrowers, October 25, 1967. Q's and A's about Joint REA-Borrower Counter Inflation Program. Memorandum to Boards of Directors of REA Borrowers, March 28, 1967.

2/ Memorandum to All Electric Borrowers. Memorandum to All Telephone Borrowers. REA Press Release, July 15, 1968.

SEARCH FOR A NEW SOURCE OF FINANCING

> ...The present two percent REA financing must continue to be made available in adequate amounts to systems with the classic problems of rural disparities not found in urban-based utilities. But the needs of the more mature rural systems reflect a vigorous growth pattern which will require a variety of capital sources if they are to be sustained. -- President Lyndon B. Johnson in a message to the annual meeting of the National Rural Electric Cooperative Association, February 9, 1966

Unlike the private home owner, few utilities ever become debt free. REA-financed rural electric and telephone systems, no less than the large commercial utilities serving urban areas, have a continuing need for long-term financing to serve a two-fold growth: persistent demands for service from new consumers and improved service for present users. In the five fiscal years, 1963-1967, alone, electric and telephone borrowers added more than 1,100,000 new users.

For electric borrowers, increased use of electricity means that rural systems must install larger transformers, usually a separate unit for each premise served, string added conductors or replace with heavier capacity lines, and erect new substations. In some cases, new transmission lines must be built to reach a source of power. Finally, where a supply of power in the required quantity is not available or cannot be purchased under favorable terms, construction of generation and transmission facilities may be necessary. Thus rural electrification, like urban electrification, is a continuing process that develops as the economy and the standard of living improve.

For telephone borrowers the problem is to cope with demands for better service while extending service to persons without telephones. The 8-party line, which only a few years before was considered adequate for rural areas, is becoming obsolete because subscribers are making increased use of the telephone for social and business communication.

By 1964, it became apparent that the loan needs would continue at a high level in both programs. REA estimated that the electric and telephone systems would need $11 billion of new capital in the next 15 years, more than double the loan authorizations approved during the past 15 years.

Increasing demands on the Federal budget to finance defense and the educational, health and other needs of our expanding population cast doubt on the possibility that increased capital needs of the rural electric and telephone systems could be met fully through direct loans provided entirely in the Federal budget. In addition, some systems had developed to the point where they no longer required the assistance of 2 percent financing to meet program objectives.

Discussions began within the Department of Agriculture, and between REA and its borrowers, on means of enlisting capital for rural electrification and rural telephone loans outside the Federal budget. To cover all facets of the problem, discussions also were held with representatives of the Bureau of the Budget, Treasury, Farm Credit Administration, and the Securities and Exchange Commission, as well as the White House staff and key members of Congress. REA also consulted with national associations of borrowers which were making independent studies of the matter.

These discussions helped to define the perimeters and requirements of alternate financing. In a speech at Dallas on March 10, 1964, before the 22nd annual meeting of the National Rural Electric Cooperative Association, Administrator Clapp proposed a new type of loan for borrowers who could meet program objectives without dependence on 2 percent loans. These excerpts from his prepared text indicate some of the considerations to be made in adopting a new method of financing the needs of rural electric and telephone systems:

Without in any way attempting to prejudge the results of your study, I think we may reasonably anticipate that the evolution of the REA-financed rural electric systems probably divides into three stages.

In the first stage, where there has not been an opportunity to fully develop the basic equalizers to narrow the gap of low consumer density and low revenue, not only is REA financing the only possible source of initial capital but the low 2 percent interest rate is an indispensable factor in the feasibility of the system.

As the basic equalizers of rural area development, low-cost power supply, adequate territorial integrity and effective management are developed, and as the revenue base per dollar invested is increased, there will be systems which will move into a stage where rural parity of electric service is possible and feasible at a higher rate of interest but where REA still remains the only source of new capital for development and expansion.

The third and ultimate stage. . . is that stage of development at which these systems will attract the resources of the private money market.

* * *

In between the present basic type of REA financing and the ultimate access of rural electric systems to the private money market, there is a middle ground which ought to be studied and explored.

To the extent that the present 2 percent interest rate on REA financing is held to involve a cost to the Federal Government, it can be expected that, from the public standpoint, there will be resistance to providing the full future capital needs of rural electric systems on such a basis if these needs increase as they are presently expected to increase. At the same time, from the REA borrower standpoint, there are growing indications that the restrictions on the use of REA present basic loan funds may in the future be an obstacle to the most efficient and effective development of maturing rural systems.

There may well be a need then for developing, in addition to the present basic 2 percent REA financing, a new type of financing for rural electric development which offers the borrower greater freedom of financial planning and system development but at an interest rate that is fully compensatory to the Federal Government.

Let me cite for you just one or two examples to indicate the type of problems which arise with the present restrictions on REA financing.

In the State of Oregon there was enacted in 1961 a territorial allocation law which provides a procedure whereby electric utility systems have the opportunity to negotiate territorial settlements among themselves and the sale or exchange of facilities to eliminate duplication by competing systems in the same areas. These settlements, if approved by the Public Utility Commissioner, then become the basis for exclusive territorial allocation.

This procedure can result in a very desirable untangling of competing facilities and consequent improvement in the maximum utilization of the capital facilities of all systems concerned, including rural electric systems. The Rural Electrication Act, however, limits the Administrator's loan authority to providing service for unserved persons in rural areas. There is a grave question as to whether this authority would fully and in all cases cover loans for the acquisition of facilities involved in settlements such as are possible in Oregon.

* * *

It has traditionally been REA policy to limit the size of a generating plant financed with REA funds to the capacity which would be fully required by the needs of Rural Electrification Act beneficiaries, rural persons previously without central station service, within a period of ten years. In most cases, the projected capacity is planned to meet the load requirements of Act beneficiaries within 5 to 7 years. In the plan the Ohio cooperatives are endeavoring to develop, it is proposed to use the power cost economy of a very large generating unit to offset the higher cost of capital which will be required if they go to the private money market. To get this kind of power cost economy, the Ohio cooperatives are proposing to build a 615 megawatt unit which, on the basis on present load projections, will not be fully loaded with Rural Electrification Act beneficiary loads until 1984, or 17 years after the time the unit is expected to be in operation.

With these problems in mind, I would propose that while you, through your national association, are studying the possibilities of supplemental financing in the private money market, we in REA undertake a study of the possibilities of a type of intermediate financing for rural electrification which would on the one hand be free from some of the restrictions placed upon the present basic REA financing and, on the other hand, return a rate of interest which would fully compensate the Federal Government for the cost of its money.

In response to Mr. Clapp's exposition on the possibilities and requirements of alternative financing, the delegates to the 1964 NRECA annual meeting approved a resolution calling for "studies in depth of the future capital requirements of rural electrification and means of meeting them, including an examination of the feasibility of obtaining funds in private money markets, and an appraisal of the modifications (if any) which should be sought in REA financing." Under

this instruction, NRECA contracted with the investment firm of Kuhn, Loeb and Company of New York City to conduct a study on the possibilities of the cooperatives borrowing money from private sources for supplemental financing.

Studies also continued within REA and the executive agencies during 1964 and 1965. Meanwhile NRECA decided that a study of the private market potential for supplementary financing would not deal adequately with the whole broad area of financing future rural electrification needs. As a consequence, the 1965 NRECA annual meeting authorized a broadening of the study to include all major aspects of the financing problem -- private, public and mixed. This study was completed and published in 1965./

To this point interest had centered on broadening the financing available to rural electric systems. This was due partly to the greater magnitude of the electric program requirements, but also to the fact that borrowers in the newer REA telephone program, scattered through three national organizations, lacked the resources and undivided support which the rural electric cooperatives had in NRECA.

In his appearances before regional meetings of telephone cooperatives in the summer and fall of 1965, Mr. Clapp suggested that "your National Telephone Cooperative Association work with us in REA, through an appropriate study committee, to review possible ways of combining the approach to our telephone financing problems with the developing approach to our electrification financing problems. If an effort is to be made to amend the Rural Electrification Act next spring, there would be an obvious advantage in tackling both electric and telephone problems at one time -- in a single, combined legislative effort."

/ "Rural Electric Financing Study Report," July 1965

This suggestion was repeated when Administrator Clapp addressed the annual meeting of the United States Independent Telephone Association October 18 in New York City. To this group, representing both cooperative and company borrowers in its membership, Mr. Clapp decided to "add a word of reassurance," as follows:

> While we in REA recognize the advantages of our borrowers moving together to meet the future financing problems of both electric and telephone programs in a single legislative effort -- if the Rural Electrification Act is to be amended -- and while we recognize basic similarities in the problems facing both rural electrification and rural telephony, we recognize too the essential differences in two programs and the need to deal with each on its own merits.
>
> Each program has its own needs, its own organizations, its own resources. One of the potential resources which may be useful in developing new financing in addition to the present 2 percent basic financing provided annually by the Congress is the repayments of past loans.
>
> Under present law these repayments are simply turned over to the United States Treasury and received there as "Miscellaneous Receipts" to be applied to REA's notes and interest obligations.
>
> If, as has been suggested, these repayments were to be made available for reuse by REA electrification and telephone borrowers, if they were to be made a revolving fund [1] to serve as the source of additional direct loans at a higher rate of interest to cover the Government's cost of money or as support for a banking arrangement to attract private capital to the needs of the program, it would be entirely reasonable to commit the repayments of telephone loans exclusively to future needs for financing in the telephone program -- and repayments of electrification loans to future needs of the electric program.
>
> This clear understanding that each program would be entitled to the exclusive use of its own resources in whatever supplemental financing patterns are to be developed can be very helpful in paving the way for a successful joint effort between rural telephone and electric borrowers to solve their respective problems.

[1] In his 1964 Budget Message to Congress, President Johnson had proposed that Congress authorize a revolving fund of principal and interest payments on REA loans to meet a part of annual loan requirements.

In response USITA contracted with Kuhn, Loeb & Company which had performed the NRECA study to study future financial needs of rural telephone borrowers.

As delegates to the first of the 1965 regional meetings of the National Rural Electric Cooperative Association assembled in Anchorage, Alaska, September 12, they were greeted by a message from The President of the United States to their own president, Paul Tidwell. In this President Johnson addressed himself to future financing as follows:

> You have a continuing job to do in completing the task of extending electric services to the most remote areas of the Nation -- and in constantly improving your service to all your members. In the great society we seek in America, effective and efficient electric service to rural people is an essential ingredient.
>
> The achievement of these objectives will require your best efforts and efficiencies and will also require vast and accelerating amounts of new capital. In the view of many observers, it is reasonable to expect that your requirements for new capital in the years ahead will exceed the amounts that can be provided through the traditional REA loan program. Your decision to explore ways to bring into the program new funds to supplement those available through REA demonstrates once again the judgment and foresight of rural electrification leaders.
>
> I also believe the Government, as part of its responsibility in this partnership that has developed the rural electrification program, must continue to work with you to develop and implement your plans

for the future. This great program which has done so much and which has so much yet to do must not become stagnant. It must -- as every other vital program must -- adapt itself to new situations and circumstances. I am confident that you, the Administration and the Congress, will be able to develop a sensible financing program which will provide you with the opportunity to expand with the rest of the economy. The need is urgent and will soon become critical. As one who has long worked side-by-side with you and shared your problems and success I believe we must work out a solution before the time of crisis arrives. Your national leaders are already working with me and the members of my Administration in developing a responsible plan -- one we hope can be embodied in legislation to be proposed to the next session of Congress.

When his turn on the 1965 NRECA regional meeting program came, Administrator Clapp spoke on "Financing for the Future." After reporting on "significant progress in 'getting on' with the job of rural electrification" for the period he had served as REA Administrator, Mr. Clapp moved to his principal subject, pointing out:

Rural electrification and its needs have never had a greater champion than President Johnson. No President of the United States has ever had such an intimate association with the REA program. He has worked among you, with you, and for you throughout his long and distinguished career of public service. He is a member of a rural electric cooperative in Texas, which he himself helped organize. He has been close to the REA program throughout its history. He understands it, and he supports it.

This Congress has proved to be one of the most understanding and sympathetic Congresses of recent years in considering the needs of rural electrification.

But there is grave doubt whether any President -- or any Congress -- can be expected, in view of the great and serious budgetary pressures the Federal Government is under in these times, to provide the full amount of your rising future capital needs through the Federal budget -- under existing budget procedures and at existing interest rates.

Now it is important that we all understand this is not a problem which has been created by anyone -- the President, the Congress, or your national association. It is a problem which has grown out of a state of the public mind, a public concern over the costs of Government, and a perfectly understandable interest of the taxpayer in the bills he pays.

> The task we face is finding a solution to this problem which the majority of American citizens, whether they live in the country or in the city, will accept as fair and reasonable -- and in the public interest.

Recalling the steps taken to developing alternate financing for the rural electric systems, Mr. Clapp sought to allay some of the doubts which had developed over the possibility of moving away from the basic 2 percent loan program. These excerpts from his printed talk show how he approached this problem:

> The heart of the problem from your standpoint -- from the standpoint of the rural electric cooperative systems -- is the need for an assured source of greater loan capital in the immediate future at interest rates compatible with the achievement of the purposes of rural electrification. Added to this is the further need of greater flexibility in the use of new capital so that it may be used with maximum efficiency.
>
> ***
>
> If a two-price, or even a multiple-price, financing plan is developed, it is quite possible, in my judgment, to determine on a completely objective, impartial basis, the interest rate needed by each individual loan applicant to accomplish program objectives.
>
> Through the normal feasibility study, which has been a part of REA's loan evaluation procedure since the inception of the program, it is possible to project the costs of full area coverage, the revenues from parity rates, and the margins necessary to develop adequate reserves, and then determine if the applicant has beyond that the revenue capability for paying a rate of interest on the loan in question greater than 2 percent.
>
> Tied to firm concepts of these essential program objectives, which are subject to specific definition and measurement, this determination need not be left to administrative whim or arbitrariness. It can be done by plain, old-fashioned arithmetic.
>
> The Administrator also stressed the need for immediate action:
>
> To do nothing, to simply sit tight with the present financing pattern, in my humble judgment, is just a ticket to slow starvation.

> Delay involves grave risks. No one can predict the temper of the next Congress with respect to rural electrification matters. The present Congress has demonstrated an understanding of and sympathy for the aims of rural electrification that adds greatly to the prospects for reaching some sound and lasting solution to this problem if it can be done within the next year.

Then he discussed the distinction between the Johnson Administration's effort with those "made 7 and 8 years ago to change the interest rate on REA financing." He continued:

> That was part of a Government-wide drive to apply the fiscal recommendations of the Hoover Commission in which fiscal consideration came first, and program objectives only second, if at all.
>
> There was no real assurance then that the administration would continue the availability of 2 percent financing on any condition, and what individual protests were heard that 2 percent financing could be continued under the proposal advanced were hardly reassuring because there were no clearly defined program objectives, other than area coverage, to which the need for such financing could be related.
>
> And equally important, you were not consulted.
>
> What we are doing now -- in 1965 -- is quite different. We are exploring together not only the need for future financing but the ways and means that can best meet them.

Although some opposition developed within the rural electric cooperatives to the supplemental financing proposal there was almost unanimous support among the delegates to the 1965 NRECA regional meetings.

With agreement reached on the main outlines of the financing proposal REA began to draft a bill establishing separate banks for the electrification and telephone programs. In this the task group had as a model the cooperative Farm Credit System which had its beginning in 1917. These agricultural bank systems had established effective private markets for their debentures issued to meet the bulk of the capital required for their lending programs.

Before the task was completed President Johnson submitted his Budget for fiscal year 1967 to Congress. This had the seeds of a midunderstanding over the 1966 rural electric loan program and additional dissatisfaction with prospects for electric loans under the budget requested for 1967. Thus when Administrator Clapp went before the 1966 annual meeting of the National Rural Electric Cooperative Association, February 15 in Las Vegas, Nevada, he thought it necessary to offer this explanation before discussing "future. . . REA financing":

> It is both our problem and our purpose in the rural electrification program to provide adequately for your essential needs. At the same time, we must be as frugal and efficient as humanly possible in the light of all the other demands upon the Federal budget. Sound and careful economy in the management of the rural electrification program will strengthen -- not weaken -- the whole program. No sound purpose will suffer, no essential need will be neglected, but in sternly avoiding waste and unnecessary use of the Government's assistance, you will preserve and retain the support and understanding of an appreciative public.
>
> This necessarily involves a rigorous and constant process of testing and proving program levels -- careful study and weighing of each loan application -- to make sure that we are not committing ourselves to some requests which, while desirable and justifiable under less stringent circumstances, are not at this time completely necessary.
>
> As you know, the electrification loan program level for this current fiscal year was originally set at $270 million, and we have been working with you to determine to what extent this amount could be made to meet the essential needs of this year. We hope that, with the understanding and cooperation of each of you in this critical time, the projected loan level will suffice. But, to the extent it does not, there is still time and there is still authority to adjust the figure.
>
> One misunderstanding which, I know, deeply concern you, has been corrected. The $37 million contingency fund balance which was released at the very close of the last fiscal year by President Johnson's direction was initially charged against the $270 million loan level projected for this fiscal year. This was not in accord with the President's intentions, and Secretary Freeman has asked me to report to you that at a very recent conference on Departmental matters the President made it clear that the 1965 contingency balance had been provided, and was not be be taken away.

If the loans made from this 1965 balance in the first few days of this fiscal year are to be counted as part of the projected loan level for this fiscal year, this means we really have at this time now a projected loan level of $307 million instead of $270 million as announced.

Now let us turn our attention to fiscal year 1967. The electrification program level of 2 percent loans for the next fiscal year, which begins on July 1, has been projected at $270 million. This level, however, is based on the expectation that these basic 2 percent REA loans to be provided in the budget will be only a part of the total financing available to the electric program next year. It is based on the expectation that there will be, in addition, a new supplemental financing program to meet the balance of your needs.

This Administration is prepared to move with you in developing a new supplemental financing program along the general lines of the proposal you have been studying for the past two years and are considering here at this annual meeting.

The Administrator then reiterated the specifications which he had set for the supplemental financing proposal at the 1965 regional meetings, added that "the step to seek a broadened financial base and greater freedom of operation and development than is possible under the limitations of two percent financing may be shaping a new Bill of Rights for rural electrification....The administration is prepared to move with you in developing a new supplemental financing program along the general lines of the proposal you have been studying for the past years and are considering here at this annual meeting."

The general plan incorporated in "The Supplemental Financing Program for Rural Electrification," published by NRECA in January 1966, received the approval of the delegates to this 24th annual meeting of NRECA, although there was a counterproposal to hold off for a year and make further study of the matter.

On March 24, before the Administration forwarded its proposal to Congress, Representative W. R. Poage of Texas introduced a bill, H.R. 14000, incorporating features of the NRECA plan for supplemental financing. A companion bill to Mr. Poage's was introduced on March 29 by Representative Wilbur Mills of Arkansas as H.R. 14048.

Secretary of Agriculture Orville L. Freeman sent to Congress on April 13, a bill for the Johnson Administration. This proposed legislation would amend the Rural Electrification Act of 1936, as amended, to create two Federal banks under the supervision of the Secretary of Agriculture, with the Administrator of REA serving as Governor of the banks. One bank would be for the rural electric systems and one for the rural telephone systems. The two banks would provide non-Federal sources of financing to supplement funds appropriated under the 2 percent, 35-year loan programs. Accompanying the bill was a letter to Vice President Hubert H. Humphrey, as President of the Senate, in which Secretary Freeman explained the need for the plan and its mechanics. The proposal was referred to the Agriculture and Forestry Committee of the Senate.

Because the House of Representatives had taken an Easter recess the Administration bill went to the House later where it was introduced May 3 as H.R. 14837 by Rep. Harold Cooley of North Carolina, chairman of the Agriculture Committee. The Cooley bill provided a 4 percent interest rate on intermediate loans, compared with the 3 percent rate proposed in the Poage bill.

Hearings on the supplemental financing proposal (H.R. 14000, H.R. 14048, H.R. 14837, and H.R. 15162) began May 31 with Secretary Freeman as the first witness. The Committee on Agriculture scheduled sessions June 1, 2, 3, 7, 8, 14, 22 and July 13 in order to accommodate all seeking to speak for or against the matter. Representatives of the National Grange and the Midwestern Farmers Association spoke in favor, along with Andrew Biemiller of the AFL-CIO. Statements were made or presented by fifty witnesses for the power companies opposing the bills.

The principal targets of the commercial power industry were the bills' provisions for generation and transmission and the acquisition of adjoining segments from neighboring utilities. The power company witnesses claimed that the rural electric systems did not need additional financing, and that the legislation would amount to a "blank check" without restrictions as to use.

Hearings before a subcommittee of the Senate Committee on Agriculture and Forestry were held August 15, 16, 17, 18 and 19 on S. 3337 and S. 3720. Secretary Freeman pointed out in his testimony:

> For more than 2 years, the Department of Agriculture, REA borrowers, and their associations have worked and studied hard to develop a plan of supplemental financing which would fit these conditions and needs. President Johnson has encouraged this effort. In a message to rural electric leaders last fall urging the development of a sensible financing program which will provide an opportunity to expand with the rest of the economy, he said -- and I quote:
>
> > This great program which has done so much and which has so much yet to do must not become stagnant. It must -- as every other vital program must -- adapt itself to new situations and circumstances.

Testimony of other witnesses repeated pro and con arguments voiced in the House subcommittee hearings. The Senate subcommittee did not report a bill.

By the time the House Committee had attempted to resolve the differences between the versions of the bill, including H.R. 16896 introduced by Rep. Ralph Harvey, Indiana, and the views of its own members, it was too late in the session to act on the matter. The final development before the 1966 election was issuance by Chairman Poage of the House Subcommittee on Conservation and Credit of Committee Print No. 1 combining features of H.R. 14000 and H.R. 14837.

The 1966 election brought new faces to the 90th Congress. New bills incorporating the supplemental financing proposal were introduced in the House and Senate. Following hearings by the House Committee on Agriculture in March and April 1967, a new compromise version, H.R. 10190, was prepared and reported by the House Agriculture Committee. Because of restrictions placed on 2 percent generation loans and elimination of certain provisions permitting intermediate rate loans and more flexibility in acquisitons under the original proposal, NRECA urged defeat of H.R. 10190. The Rules Committee of the House applied the coup de grace August 1, 1967.

Although Representative Poage introduced a bill, H.R. 12066, the same day to establish a telephone bank, and the House Agriculture Committee subsequently held hearings and reported the bill favorably, action on supplemental financing was stalled. As of August 21, 1968, the House Rules Committee had not acted on H.R. 12066.

Attempting a fresh approach, the National Rural Electric Cooperative Association established a Long-Range Study Committee to assess the needs and obtain the views of member systems on future objectives compatible future financing for the rural electric program. The committee has not completed its study at this date (August 1968).

A chronology of proposals and legislation activity relating to the REA loan account and supplemental financing is attached.

CHRONOLOGY -- REA LOAN ACCOUNT AND SUPPLEMENTAL FINANCING LEGISLATION

88th Congress, 1963-1964

President's 1963 Farm Message (H.Doc. 55) recommended that legislation be enacted to establish an REA loan account. (A similar recommendation appears in the 1964 Budget.)

Dec. 12, 1963, a draft bill to establish the Rural Electrification Administration Loan Account was transmitted by USDA to Congress and introduced as S. 2453, Jan. 22, 1964, by Sen. Ellender, La. (by request).

89th Congress, 1st Session - 1965

The 1965 Budget (pp. 60-61, 94, 183) reflected anticipated early enactment of the loan account legislation and indicated that net receipts during FY 1964 and 1965 would be used to reduce expenditures in 1964 and both NOA and expenditures in 1965. In order to implement the 1965 Budget provision, a revision of the legislative proposal submitted on Dec. 12, 1963, was submitted Feb. 14, 1964.

A hearing was held March 5, 1964, on "REA Financing" by the House Subcommittee on Conservation & Credit of the Committee on Agriculture at the request of Rep. Teague, Calif., with Dr. Harry G. Guthman, Morrison professor of finance, Northwestern University School of Business, testifying.

A draft of bill (identical to one submitted Dec. 12, 1963) was submitted April 4, 1965, by USDA to Congress and introduced April 26, 1965, by Sen. Ellender, La., as S. 1812. (No hearings or reports)

89th Congress, 2nd Session -- 1966

H.R. 14000, was introduced March 24, 1966, by Rep. Poage, Tex., to establish REA electrification and telephone loan accounts and Federal banks for rural electrification and rural telephone systems to provide supplemental financing for the rural electrification and rural telephone programs. (Other bills introduced for this purpose were -- H.R. 14048, by Rep. Mills, Ark., Mar. 29, 1966; H.R. 15162, by Rep. Schisler, Ill., May 23, 1966; H.R. 15831, by Rep. Anderson, Tenn., June 22, 1966; H.R. 16896, by Rep. Harvey, Ind., Aug. 8, 1966; and H.R. 17649, by Rep. Harvey, Ind., Sept. 12, 1966.)

A draft bill was submitted by USDA April 13, 1966, and introduced May 3, 1966 by Rep. Cooley, N.C. (by request) as H.R. 14837.

Hearings were held on H.R. 14000, 14048, 14837 and 15162, May 31, June 1, 2, 3, 7, 8, 14, 22, and July 13, 1966, by the House Committee on Agriculture.

S. 3337 was introduced May 10, 1966, by Sen. Bass, Tenn. and 29 cosponsors. S. 3720 was introduced Aug. 12, 1966, by Sen. Cooper, and 24 cosponsors (same as Committee Print No. 1 (a consolidation & revision of H.R. 14000 and 14837) by the House Subcommittee on Conservation & Credit of the Committee on Agriculture).

Hearings were held Aug. 15-19, 1966, on S. 3337 and S. 3720 and the draft bill proposed by USDA, by the Senate Subcommittee on Agricultural Credit and Rural Electrification of the Committee on Agriculture and Forestry.

Hearings were held Sept. 13 & 14, 1966 on Title V & VI, Committee Print No. 3, of H.R. 14837 (Rural Telephone Financing) by the House Subcommittee on Conservation and Credit of the Committee on Agriculture.

90th Congress, 1st Session -- 1967

(See Attachment #1 for list of bills introduced in the First Session to provide supplemental financing for the rural electrification and rural telephone systems.)

In addition to the list -- H.R. 10190, was introduced May 22, 1967, by Rep. Poage, Tex., and reported by House Committee on Agriculture (H. Rep. 459) June 27, 1967.

H.R. 12066 was introduced Aug. 2, 1967, by Rep. Poage, Texas, "to amend the RE Act of 1936, as amended, to provide an additional source of financing for the rural telephone program."

Hearings were held by the House Agriculture Committee on H.R. 12066, August 23-24, 1967, and the bill reported (H. Rep. 736).

(No bills were introduced in the 2nd Session of the 90th Congress.)

REA Financing Bills Introduced in the 90th Congress, 1st Session (to March 23, 1967)

H.R. 1400 by Rep. Poage, Tex. (1/12) H.R. 1401 by Rep. Walker, N.M. (1/12) H.R. 1402 by Rep. Resnick, N.Y. (1/12) H.R. 3121 by Rep. Anderson, Tenn. (1/19) H.R. 3314 by Rep. Hathaway, Me. (1/23) H.R. 6026 by Rep. O'Konski, Wis. (2/23) H.R. 7306 by Rep. Shipley, Ill. (3/15)	Based on H.R. 14831 of 89th Congress, with modifications; all reported identical.
H.R. 7521 by Rep. Andrews, N.D. (3/21)	Same as H.R. 1400 except that sec. 408(d)-p. 26, adds density criteria on 2% loans.
H.R. 7698 by Rep. Dole, Kans. (3/22)	Based on H.R. 1400 with 10 changes (see separate analysis).
H.R. 7700 by Rep. Quie, Minn. (3/22)	Based on H.R. 1400 with changes in generating loan bid procedure, including FPC appeal - sec. 405(j); and G&T loan purposes - sec. 408(a); and provides "single" interest rate - sec.408(b).
S. 696 by Sen. Cooper, Ky., et als (1/26)	Based on H.R. 14837, Committee Print #2, except for 3% intermediate loan rate.
H.R. 7390 by Rep. McMillan, S. Ca. (3/16) H.R. 7391 by Rep. Herlong, Fla. (3/16) H.R. 7776 by Rep. Saylor, Pa. (3/23)	Amends RE Act to curtail loan authority under Sec. 4 and provide increased interest rates except for "needy" borrowers; establishes insured loan program; imposes severe limitations on G&T loans. Relates only to rural electrification program.
H.R. 7392 by Rep. Teague, Calif. (3/16) H.R. 7393 by Rep. Goodling, Pa. (3/16)	Same as H.R. 7390, except no provision for "needy" borrowers.
H.R. 7752 by Rep. Haley, Fla. (3/23)	Same as H.R. 7390, except no provision for appeal to FPC on G&T insured loans.

EQUAL OPPORTUNITY

"... Through the process of law, we shall strike for all time the shackles of an old injustice..."
Statement on Civil Rights Act, April 10, 1968,
President Lyndon B. Johnson

Pursuant to Executive Order 10925, as amended on June 22, 1963, by Executive Order 1114, REA issued a policy bulletin which directed its borrowers to make employment opportunities created by construction work involving REA loans equally available to all qualified persons, without regard to race, color, creed, or national origin. 1/ Borrowers were instructed to require contractors to file a compliance report which met the specifications of the President's order. These reports are forwarded to REA. REA loan contracts in effect at the time of the Executive Order contained, and still contain a clause which bans discrimination in hiring borrower employees.

A memorandum pointed out the examples of the prohibited or required actions covered by the Equal Opportunity Clause of the Civil Rights Act. 2/

In a later instructional bulletin, REA required its borrowers to furnish certain civil rights information to their employees, consumers or subscribers, and to the general public in their service areas. 3/ The requirements set forth applied to all REA borrowers receiving an advance of funds after January 3, 1965, in accordance with Title VI of the Civil Rights Act of 1964.

Another Equal Employment Opportunity memorandum in late 1965, 4/ informed REA borrowers of a new Executive Order to supersede the 1963 order. The new order transferred the enforcement procedures to the Secretary of Labor. REA instructed its borrowers to continue full compliance with previous instructions pertaining to nondiscrimination of employment.

- more -

1/ REA Bulletin 20-15:320-15, July 20, 1964
2/ Ibid. Appendix F, February 16, 1965
3/ Ibid. Appendix A, July 9, 1965
4/ Ibid. Revision, November 1, 1965

In a supplement to REA Bulletin 20-15 dated July, 1966, the Administrator reemphasized the responsibility of every REA borrower receiving Federal financial assistance to conduct all of its activities without regard to the race, creed, color, or national origin of its employees, its patrons and others who may benefit from its services. 5/

In 1968, the Administrator appointed a special assistant to work with the electric, telephone and borrower development staffs of the Agency in helping to create greater opportunities for minority groups through the REA programs.

In fiscal year 1968, 1,781 REA-financed systems submitted Compliance Assurances to the Agency, and 1,548 borrowers filed comprehensive Compliance Reports indicating their adherence to these regulations. In addition, 1,562 borrowers drafted and submitted Equal Employment Opportunity resolutions -- resolving to establish and maintain affirmative action concerning equal employment opportunity programs.

REA field personnel conducted some 1,292 reviews of borrower systems in encouraging compliance with equal employment.

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5/ Ibid. Addition, July 8, 1966

EXPORTING THE REA PATTERN

"Cooperative rural electrification is one of the programs that can bring about economic and social progress in underdeveloped countries." Address to United Nations General Assembly, December 1963, President Lyndon B. Johnson

A 1962 contract between the National Rural Electric Cooperative Association (NRECA) and the Agency for International Development (AID) called upon the rural electric cooperatives, through NRECA, to provide services, counsel and other support in the developing of rural electric cooperatives, rural industry and community facilities in the underdeveloped countries of the world, as they requested it.

Since that time, 89 specialists representing 60 REA-financed rural electric cooperatives have traveled to nine foreign countries to assist in either establishing an electric cooperative or in providing technical assistance to an existing cooperative. Under the leadership of cooperative specialists, two rural electric cooperatives have been established in Ecuador, one each in Colombia, Nicaragua, and Peru; three in Costa Rica and two in Vietnam. Assistance has been provided existing cooperatives in Brazil, Chile and Argentina. 1/

Since 1963, the Rural Electrification Administration itself has been assisting AID in its efforts to export the REA pattern. Under an arrangement with AID, REA loaned several staff specialists to help with rural electrification problems in Vietnam, Uruguay, Chile, Peru, Tunisia, Afghanistan, Panama, Costa Rica and Brazil. Seven employees were involved in this work. Also under an arrangement with AID, two REA telephone specialists went to Jordan to study plans for improved telephone service in that Country. 2/

- more -

1/ Records of National Rural Electric Cooperative Association
2/ Records of REA

REA responded to 260 written inquiries from 61 countries in fiscal 1968, primarily in the engineering and standardization field of the rural electric and telephone programs.

During the year, over 60 individuals, representing more than 20 foreign countries, visited REA for consultation and training for periods of a few hours to several days.3/

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3/ Records of the Rural Electrification Administration

REPAYMENTS OF REA BORROWERS

Since January 1, 1964, and through June 30, 1968, REA electric and telephone borrowers made payments on the principal and interest of their REA loans at the rate of more than $22 million a month.

Borrowers in both programs made total payments during this period in the amount of $1,204,817,735 on the REA loan funds advanced to them. The payments include $670,270,669 of principal repaid as due, $128,002,038 of principal repaid ahead of schedule, and interest payments of $406,545,028.

Electric borrowers made total payments in the amount of $1,001,527,793. The payments include $563,612,769 of principal repaid as due, $114,721,222 of principal repaid ahead of schedule, and interest payments of $323,193,802.

Telephone borrowers made total payments in the amount of $203,289,942 during the period. The payments include $106,657,900 of principal repaid as due, $13,280,816 of principal repaid ahead of schedule, and interest payments of $83,351,226.

Electric and telephone borrowers reached an all-time high balance of $365.7 million in repayments of principal ahead of due dates.

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CHANGES IN STAFF ORGANIZATION OF REA -- 1963-1968

During the 1963-1968 period, the Rural Electrification Administration effected a gradual but significant reduction in personnel. The number of full-time employees decreased from 969 in November 1963 to 893 in June 1968.

In line with REA's policy of transferring to borrowers those functions which they can perform for themselves, the Electric Farming Branch and the Borrowers Operations Office in the Electric Distribution Division were abolished. 1/

Policy and program review functions of the Agency were centralized in the new position of Deputy Administrator for Policy and Program Review. 2/ This position was created to assist the Administrator in formulating and directing programs and policies aimed at operations improvement and cost reduction.

The position of Assistant Administrator for Borrower Development 3/ was also created during this period. This position served to consolidate a number of formerly separate agency functions, including the Rural Areas Development Staff, and the Specialists Staff, which was made up of the heads of the Member Services Staff, Labor Relations Staff, Architechtural Engineering Staff and Safety Engineering Staff. Borrower's management functions were brought together under the Borrower's Management Staff which was also placed under supervision of this Assistant Administrator. 4/

1/ Memorandum, January 14, 1965, from Henry C. Starns, Director of Personnel Management Division, REA, to Carl Barns, Director of Personnel, USDA.
2/ Senate Committee Report No. 27, April 20, 1967.
3/ Ibid.
4/ Idem. Memo. February 10, 1967.

Certain key administrative units were placed directly under the Office of the Administrator reporting to the Deputy Administrator. They were: Personnel Management Division, Information Services Division, Program and Administrative Services Division, Office of Budget, and Office of Program Analysis.

The Electric Operations and Standards Division was established to provide unified direction for the staff functions relating to both engineering and nonengineering activities within REA. Those engineering functions dealing with the review of plans and specifications, review of electric system design studies, analysis of bids, and preparation of construction cost estimates were shifted from the Electric Distribution Division to the five Electric Area Offices.

An Office of Accounting and Statistics was established, reporting directly to the Deputy Administrator, and the Program and Administrative Services Division was created, to combine the functions of the Program Services Division and the Office of Accounting and Statistics.

In 1967, the Area Planning and Procurement Staff was created within the Power Supply Division to reflect the addition of power procurement functions within that Division. 5/

5/ Idem. Memo, January 31, 1968, p. 1

Soil Conservation Service
For Mr. Rasmussen
August 1968

I. PROBLEMS, RELATIONSHIPS

Major Problems

Insufficient manpower to meet demands for technical assistance in resource planning and development from conservation districts, communities, multi-county areas, public planning bodies, developers, and other urban-oriented interests.

Standstill on P. L. 566 watershed projects brought about by controversy between Executive and Legislative Branches concerning approval of watershed projects.

Progress in Relationships

Agreement with Bureau of Public Roads re guidelines concerning erosion control on highways under construction.

Agreement with Bureau of Sport Fisheries and Wildlife re joint study of proposed P. L. 566 watershed projects that might affect fish habitat.

Agreement with Bureau of Reclamation re procedures to be followed in dealing with local organizations concerning assistance under P. L. 566 watershed projects or Small Projects Act administered by BOR.

Memorandum of Understanding with Corps of Engineers re increasing size of dams in P. L. 566 watershed projects.

II. NEW LEGISLATIVE AUTHORITIES

Small Watershed Program.

P. L. 89-337 authorizes increase in limitation from 5,000 acre-feet to 12,500 acre-feet of floodwater detention capacity in any single structure constructed under the provisions of the Watershed Protection and Flood Prevention Act, P. L. 83-566.

P. L. 90-361 amends Watershed Protection and Flood Prevention Act, P. L. 83-566, to permit the Secretary of Agriculture to contract for the construction of works of improvement upon the request of local sponsors of small watershed projects.

Soil Survey Program.

P. L. 89-560 provides for cooperative assistance to States and subdivisions in community and resource development in areas of rapidly changing uses, including farm and nonfarm areas.

Federal-Aid Highway Act. P. L. 89-574, in addition to other features, added a new subsection to section 109 of title 23, U. S. Code, which required the Secretary of Commerce to consult with the Secretary of Agriculture with respect to guidelines for minimizing possible soil erosion from highway construction, and to submit guidelines to Congress by July 1, 1967.

Water Resources Planning Act. P. L. 89-80 provides for cooperation by the Federal government, States, localities, and private enterprise in planning for the comprehensive and coordinated conservation, development, and utilization of water and related land resources.

Appalachian Regional Development Act. Sections 203, 206, and 214 of P. L. 89-4 enabled the Soil Conservation Service to accelerate or supplement soil and water conservation work in the Appalachian area, such as technical assistance to land owners and operators in erosion and sediment control, land stabilization, land-use changes, and conservation and development of soil, water, woodland, wildlife, and recreation; river basin surveys; and small watershed projects.

III. ACCOMPLISHMENTS

Two important conservation concepts have been emphasized in the period 1963 to the present. One -- the physical conservation of land, water, and related resources as it affects the quality of rural life. The other -- conservation's value to all people, both rural and urban. Soil and water conservation should not end at the farm boundary, but should extend to roadbanks, streambanks, strip-mined areas, urban developments, and other land uses wherever they may be.

The SCS has intensified its efforts in rural community planning and economic and social betterment through resource conservation and development. It has placed greater emphasis on resource conservation to alleviate poverty and substandard living conditions and to give more effective assistance to low-income rural families.

Soil and Water Conservation Districts

The Soil Conservation Service gives most of its technical assistance through locally formed and managed soil and water conservation districts.

Between 1963 and 1968, the number of districts increased from 2,942 to 3,015, with an increase in number of district cooperators from 1.9 million to well over 2 million who are being assisted by the SCS in planning and applying soil and water conservation plans.

As of 1963, district cooperators had prepared 1,472,660 basic conservation plans on 455,341,029 acres with Soil Conservation Service technical assistance. By 1967, the number of plans prepared had increased to 1,657,019 on 534,939,948 acres.

Watershed Protection and Flood Prevention Projects (P. L. 83-566)

More than 200 watershed communities are enjoying the benefits of watershed projects that have been completed. The communities, both rural and urban, are protected from costly flood damages, and, depending on the purposes they have chosen to include in their projects, have gained various benefits from new recreation facilities, municipal, industrial, or agricultural water supply, drainage, or fish and wildlife developments.

Ninety of the projects have been completed during the last two years; 145 since 1963.

The 205 projects now completed cover more than 6.6 million acres. Seventy-eight include water storage reservoirs for agricultural and municipal use, and for fish and wildlife and recreation development, in addition to watershed protection and flood prevention. Twelve of the projects provide water to 14 towns with a total population of 108,000. Five projects provide 74,000 visitor days of outdoor recreation annually.

During the period January 1, 1964, to July 1, 1968, USDA planning assistance was approved for 478 new projects. Plans for 306 projects were approved for installation.

The impact of small watershed projects on communities has increased since the 1962 amendment to P. L. 566 providing for broader Federal assistance with recreation and municipal water supply. The proportion of projects planned for multiple purposes increased from 41 percent in 1963 to more than 53 percent by July 1968.

Watershed Protection and Flood Prevention Projects (P. L. 83-566)

	Cumulative to January 1, 1964	Cumulative to July 1, 1968
Authorized for USDA planning assistance:		
Number	933	1,411
Acres	62,700,000	100,900,000
Project plans approved for installation:		
Number	528	834
Acres	29,600,000	48,500,000
Projects completed: Number	60	205
Multiple Purpose Projects:		
Number	218	446
Percent of those being installed	41	53
Projects with recreation (both with and without cost sharing)	32	142
Projects with water supply:		
Number	48	95
Cities to be supplied	63	132
Population served	350,000	764,000

Resource Conservation and Development Projects

The first 10 Resource Conservation and Development projects under authorizations of the Food and Agriculture Act of 1962 started early in 1964, when Federal funds became available. The projects are intended to speed up conservation activities where they may be expected to provide additional economic opportunities to local people.

By July 1, 1968, 41 projects covering 112,689,386 acres were underway in 35 States. Individual projects include from one to more than 20 counties and range in size from about 280,000 to more than 8 million acres.

The first 28 operational projects will result in about 73,000 man years of employment during construction and are expected to provide continued employment of more than 50,000 man years annually when all project measures are completed.

The 750 measures that had been completed by July 1, 1968, provide 11,000 man years of continuing employment and have increased annual gross income of the project areas by more than $120 million.

When all 2,800 planned land, water, and related developments are completed, they will increase output of goods and services an estimated $470 million annually. The capital investments to install project measures are estimated to be more than a billion and a half dollars.

Great Plains Conservation Program

The Great Plains Conservation Program, designed to provide a means of minimizing the hazards of farming and ranching brought on by erratic climate, is bringing greater agricultural stability to the Great Plains.

At the end of fiscal year 1963 -- 5-1/2 years after the first GPCP contract was signed -- the Soil Conservation Service had assisted 12,393 farmers and ranchers prepare complete land use and conservation plans on 28.4 million acres as a basis for long-term cost-sharing contracts under the Great Plains Conservation Program. Establishment of conservation practices called for by the contracts had been completed on nearly 2.3 million acres of this land. At that time, 383 counties had been designated eligible for the program in the 10 Great Plains States.

By the end of fiscal year 1968, the SCS had assisted more than 30,000 farmers and ranchers prepare plans on about 55 million acres. Establishment of planned practices had been completed on about 20 million acres. By that time, 418 counties had been designated eligible for assistance under the program.

Conversion of low-grade cropland to permanent vegetation -- mainly grass -- is a major feature of the Great Plains Conservation Program. At the end of fiscal year 1963, 461,674 acres of cropland had been seeded to permanent cover. By 1968, that acreage had jumped to 1,291,118.

Soil Surveys

Interest in use of information from soil surveys has increased considerably by both farm and nonfarm people. While farmers and ranchers have for many years based their conservation plans on soil survey information, State, city, and town planning groups have only recently begun to recognize the value of soil surveys in urban-fringe areas.

As of June 30, 1963, detailed soil surveys had been completed on about 461 million acres. By June 1967, they had been completed on 668 million acres, or about a third of the non-Federal rural land of the United States.

Special soil survey reports prepared by the SCS are being made available for many agricultural areas near population centers where soils information is urgently needed because of rapid urban development that is underway. They include basic soils data essential in land and water planning and development. The reports are used by planning commissions, health and highway departments, municipal and county governments, tax assessors, builders, and others. In 1963, special soil survey reports were prepared for fewer than 25 communities. In 1968, the number is expected to jump to 433.

In addition to providing soils information to the land owners and users in the United States, the Soil Conservation Service in fiscal year 1967 assisted in making new estimates of potentially arable soils in the world for the President's Science Advisory Committee on World Food Supply. The results are published in the report of the committee.

Technical Assistance in Community Planning and Development

Soil Conservation Service technical assistance in community planning and development -- amounting to only a nominal amount in 1963 -- has been stepped up dramatically.

In 1965 the Soil Conservation Service prepared basic natural resource data for use in developing 355 comprehensive community resource plans covering nearly 3.4 million acres. By 1967, this assistance had jumped to basic data for 1,475 community plans covering more than 99 million acres.

The data supplied include soil survey information and interpretations, water inventories, watershed data, outdoor recreation information, plant and wildlife inventory data, conservation practice information, and other information on conservation needs and problems.

The information is used by community planners in planning for transportation and other public utilities, recreational facilities, and residential commercial and industrial, and agricultural use of land.

Recreation

Following enactment of the Food and Agriculture Act of 1962, the Soil Conservation Service was given leadership for the Department of Agriculture's activities in developing outdoor recreation on non-Federal rural land.

In 1963, the SCS intensified its assistance to rural land owners and operators in planning and applying conservation practices that create new opportunities for income-producing recreation.

In 1964 -- the first year SCS field offices recorded recreation activities -- it was reported that about 26,000 landowners had developed income-producing recreation enterprises over the years with regular assistance from the SCS through soil conservation districts. For more than 2,100 of them, recreation was their major source of income.

By the end of fiscal 1967, nearly 48,000 land owners and operators had established recreation with SCS help. It had become the primary source of income for 7,700, who had switched from livestock, dairy, crops, fruits, and similar farming activities to recreation.

New Plant Materials Centers

Three new Soil Conservation Service Plant Materials Centers came into production during 1967 at Quicksand, Kentucky; Cape May Court House, New Jersey; and Knox City, Texas.

Quicksand, Kentucky -- Test and develop new plants for erosion control and conservation uses in the Applachian area and help accelerate the conservation work SCS carries out under the Appalachian Regional Development Act.

Cape May Court House, N. J. -- Test and develop plants to control erosion along the mid-Atlantic coastal shores.

Knox City, Texas -- To replace another center that had been closed down in the area.

Assistance to Minority Groups

The SCS has emphasized assistance to minority groups, especially in the 17 southeastern States.

At the end of fiscal year 1965, 8 percent, or 174,270 of the operating units in those states were farmed by nonwhite people.

Of the 1,076,098 people who were soil conservation district cooperators, 44,191 were nonwhite. Basic conservation farm plans had been prepared for 35,952, or 81 percent, of the nonwhite farmers and ranchers and 845,172, or 82 percent, of the white.

During fiscal year 1965, the SCS provided an average of 1.2 services per nonwhite cooperator and 1.4 per white cooperator.

By the end of fiscal year 1967, the number of operating units farmed by nonwhite decreased to 167,970, which was still 8 percent of the total 2,203,242 operating units in the 17 States.

Of the 1,109,595 district cooperators, 49,072 were nonwhite, an increase from 25 percent to 29 percent. Basic conservation farm plans had been prepared for 40,588, or 83 percent, of the nonwhite farmers and ranchers and 885,006, or 83 percent of the white.

During fiscal year 1967, the SCS provided an average of 1.5 services per nonwhite cooperator and 1.4 per white cooperator.

Appendix A

The Concept of Rural-Urban Balance

For at least a century the forces of technology have been changing American agriculture and, with it, the concept of rural areas as places to live and work. From a nation of small family farms containing most of its people, the United States has developed into an industrial-urban society where only 54 percent of the people live on farms and where the average farm size is 369 acres and growing. Scientific advances and improved machinery have both increased the size of farms and dramatically reduced the number of people necessary to operate them. By the year 2000 as Secretary Freeman projects, automation will reduce the number of farmers necessary to just two million. 1/

With fewer farmers needed, more and more people have been free to work in their local rural communities, but opportunities for work and facilities for living there have lagged markedly behind those in urban areas. Between 1950 and 1965 about 13.6 million jobs were created, but virtually all were in urban areas. 2/ Moreover, few rural communities are large enough to supply modern services in government, education, medicine, or water supply.

Because rural America has not developed as fast as urban America, there has been in the last few decades a rapid migration away from rural areas to large urban complexes, throwing the population density out of balance. Today, 70 percent of the people live on less than 2 percent of the land and, if the trend continues, in 33 years urban areas will

have to accomodate 100 million more. This vast movement of people has contributed to both urban and rural problems. Since many of the urban immigrants are poor, the influx has swelled the already job-hungry ghettos, added to congestion, and created difficulties in adjustment for the newcomers. At the same time, it has depopulated the countryside, aggravating its problems still further. Thus the population shift has become a problem involving all America rather than just one part of society.

Today, because of the population problem and the opportunity lag, American rural areas are seriously underdeveloped. Counting the under-employment of farmers and other workers who desire additional part time work but can't find it, about 15 percent of the rural population between 20 and 64 years of age is out of work. 3/ The annual number of new jobs created is only two-thirds the amount necessary to stop the outflow of population. 4/ Low payrolls and migration to cities perpetuate the problem by leaving the tax base so low that community services are stunted, causing even more people to move. Rural education is considerably below urban standards. Although the one-room schoolhouse no longer dominates the educational system, about 10,000 still exist according to the 1960 Census, and the average number of teachers per country school is only four. Eleven percent of rural children are behind in school as compared with 7 percent of city children; the dropout rate is 33 percent in the country and 26 percent in the city. Rural water systems are also

frequently inadequate--at least 30,000 rural communities need improved water and sewer systems. Likewise, rural areas have only one-half the number of doctors per 100,000 people as cities and only one-third the number of dentists. 6/ Moreover, the National Advisory Commission on Rural Poverty estimates that to have adequate police and highway departments, hospitals, and libraries, a minimum population of 50,000 to 100,000 is necessary. Few rural towns are anywhere near that size. 7/ Because of these problems, industry is reluctant to locate in the country, and this reluctance only makes it more difficult for rural areas to move ahead.

The result of these deficiencies has been a low standard of living for rural areas. About one-fourth of occupied rural housing is substandard, including one million dilapidated homes. 8/ Although less than one-third of the people live in the country, half of the poverty is there and 10 of the 16 million rural poor do not live on farms. 9/ Unless something is done to rebuild rural areas, the imbalance between city and country will become even greater.

The problems arising from the decline of agriculture and the rise of cities are not new--they have been affecting the country for several decades--and numerous solutions have been proposed, ranging from nostalgic agrarianism around the turn of the century to Secretary Freeman's concept of rural-urban balance. The earliest proponents of moving people back to the countryside, speaking in the nineteenth and early twentieth centuries, glorified farm life and saw little or no place for the city.

Taking inspiration from Jefferson's belief that the only worthwhile life was one close to the soil, the agrarians launched a number of movements to get people "back to the land." During the late nineteenth century the Catholic Church, utopians, and even some Congressmen like Benjamin Butler made efforts to move excess labor out of the crowded cities and onto subsistence homesteads. With the depression of the 1890's, subsistence homesteads were spoken of as a relief measure, and many cities introduced school gardens in the hope that children would be inspired to move to the country. 10/

By World War I the back-to-the-land movement gained immense popularity and promoters all over the country put forth projects to get people to return to the farm. Most projects failed but efforts continued through World War I and after with particular emphasis on soldier colonies for returning veterans. With the agricultural downturn of the 1920's, the movement lost much of its practical value and lapsed into sentimentality for rural life. Henry Ford made an effort to link subsistence farming with the industrial age, but interest in the country dropped and, until the 1929 Depression, hundreds of thousands of people each year left the countryside for cities. 11/

The back-to-the-land crusade lacked any thorough organization and depended more on enthusiasm and nostalgia than careful planning. Alongside this movement, however, were attempts by certain individuals to settle the country in an organized way with government playing an

important role. The first of these men was Elwood Mead, an American with experience in Australia where he adopted the idea of government planning of rural settlements on reclamation lands. Returning to America in 1915, Mead successfully sold his ideas to the State of California which, in 1917, became the first State to foster planned land settlement. In the two colonies of Durham and Delhi, Mead's conception was put to work. The government selected the land, divided it into farms, planted the first wheat crop, provided house designs, and installed a permanent farm advisor and business manager. The colonies initially prospered, and Mead's ideas moved to Washington where they influenced Secretary of Labor William B. Wilson and Secretary of the Interior Franklin K. Lane. Wilson wanted farm colonies to create jobs for the unemployed. Lane advocated settling veterans in rural communities which offered not only the advantages of the country but those of urban life, too, with community centers and cooperative activities. Neither Mead, Wilson, nor Lane ultimately succeeded--no colonization bills passed Congress--but their efforts influenced later thought on rural development. 12/

While rural-oriented idealists were trying to settle city people in the country, other people looked to city planning as a way to introduce rural benefits to urban life. Most influential at the end of the nineteenth century was Ebenezer Howard, an Englishman who developed the idea of garden cities, new towns in the country limited in size, thoroughly planned, and surrounded by a protective greenbelt. Howard's enthusiasm for garden cities had reached the United States by 1906 when

the Garden City Association of America was founded. However, the idea was never fully put into practice, although the government during World War I used garden city ideas in some of its defense housing. During the 1920's city planning and zoning became more widespread. Nearest to a real garden city was Radburn, New Jersey, inspired by the Regional Planning Association which included both intellectuals and planning experts in its membership. Started in 1927, Radburn and parks, special pedestrian walkways under roads, and places for industry, but lacked a true greenbelt because of high land costs. The Radburn plan became famous and influenced the garden cities of the New Deal. 13/

With the advent of the Depression in 1929, both nostalgic movements to the soil and planning programs became very popular. Migration back to the country was so great that in 1932 it exceeded the usual flow to cities, despite poor agricultural conditions. 14/ Men such as New York Governor Franklin D. Roosevelt saw the Depression as a chance to utilize planning to tackle poverty and decentralize industry so city people could enjoy a country life. 15/

The ferment of the early New Deal brought together sentimental agrarianism and central planning in an effort both to relieve distress and provide a better, more rural life for city people. The three men most involved in New Deal community planning were F. D. Roosevelt, Milburn L. Wilson, and Rexford G. Tugwell. Roosevelt in his inaugural called for action to correct the "overbalance of population in our industrial cities." M. L. Wilson, head of the Division of Subsistence

Homesteads, hoped to use subsistence agriculture as a means to relieve overproduction of agricultural goods and to replace American individualism with cooperation. Wilson planned a variety of communities to be settled by carefully picked applicants. They ranged from rural settlements to villages built around new industries, each small in population and acreage. The Federal Emergency Relief Administration began a number of communities on similar lines in an attempt to benefit the truly destitute, which Wilson's villages were not doing. 16/

Establishment of the Resettlement Administration in 1935 under R. G. Tugwell marked a turning point in New Deal ideas toward planned towns. Submarginal land would be turned over to recreation and the people living on it moved to better lands. To take care of the continuing surplus of farmers as technology enabled fewer farmers to grow more food, Tugwell proposed new greenbelt suburban towns, designed by the government and combining the best of rural and urban living for the industrial and agricultural workers who lived in them. 17/

Greenbelt towns represented at once the apogee of the garden city movement and a good example of New Deal in-depth planning. Tugwell envisioned his garden cities as small towns newly carved out of the countryside, surrounded by a rural greenbelt, collectively owned, and planned down to the last detail including community buildings, schools with progressive education, parks, utilities, and stores. Each prospective family was to be closely screened to be sure it fit into the pattern of community life. Tugwell wanted to see hundreds of greenbelt towns, but only three were built, and these were eventually sold to non-profit organizations and private industry. 18/

New Deal enthusiasm for massive planning waned in the late 1930's, but with the coming of World War II concern for balancing agricultural and industrial sectors again surfaced. The Agricultural Division of the National Defense Advisory Commission in 1940 planned to encourage dispersement of defense industries to the country in order to ameliorate rural as well as urban unemployment, to promote national unity, and to prevent big cities from becoming even more congested. But, as with most previous government planning, action fell short of goals and most new defense industries located in already industrialized areas. 19/

During the 1950's government planning dropped out of favor. Nevertheless, the idea of revitalizing rural America persisted. Defense planners saw decentralized and scattered industry as a good defense against nuclear attack as well as a means to combat poverty. In 1954

President Eisenhower requested a special study of low-income farmers in his Message on Agriculture. The report, published in April, 1955, recognized that serious problems existed in rural areas, especially among poor farmers who needed supplemental work, but it did not recommend large-scale plans. "This study," it said, "sets up no goals other than voluntarily chosen by the people. The basic philosophy is that people will make wise decisions if they are informed regarding their various opportunities and if their capabilities are enhanced so as to increase the number of choices available to them." 20/ The result of this report was a Rural Development Program which aimed on a small scale at "helping rural people improve farming, attain off-farm work, and build better communities." 21/ Starting on a pilot basis in 1955, the program had 262 participating counties by September, 1960. 22/

Inauguration of the Kennedy administration with Orville Freeman as Secretary of Agriculture signified a shift back to large scale planning, though not so great as that during the New Deal. In March, 1961 Secretary Freeman initiated the Rural Areas Development Program (RAD) with the objective of reducing underemployment, though its implications were broader. Aided with funds from the Area Redevelopment Act of May, 1961, RAD represented a substantial expansion of Eisenhower's Rural Development Program. At the top Secretary Freeman set up the Rural Areas Development Board and the Office of Rural Areas Development to oversee the program. Locally, Technical Action Panels of government officials and RAD committees of local community leaders were established to insure

plans tailored to the particular needs of each area. Within a few months 503 counties qualified for aid under the Area Redevelopment Act, and by 1962 RAD committees functioned in almost every State. 23/

In 1962 RAD scope broadened to include development in nearly all phases of rural life, especially conservation of natural resources. The Secretary's revised Memorandum on RAD now cited the problem as embracing "Underemployment, imbalance in land use, inadequate levels of natural resource development and conservation and consequent low income of farm families and other residents and unwise wastage of natural resources in rural America...." 24/ Congress passed a number of important acts in 1962 which increased the Department's ability to aid rural citizens. The Food and Agriculture Act of 1962 gave USDA the authority to help farmers put land into new uses through Resource Conservation and Development Projects and Rural Renewal Projects, the latter geared to help entire rural areas with poor resources. The Act also enabled the Department to aid State and local governments conduct land use programs through loans. The Watershed Protection and Flood Prevention Act allowed USDA to assist in developing water supplies and recreational lands. The Senior Citizens Housing Act authorized special FHA loans to elderly people living in rural areas. Finally, the Manpower Development and Training Act and the Public Works Acceleration Act were designed to train workers and create new jobs.

By 1964 an important shift of emphasis had occurred in the direction of combating poverty in accordance with President Johnson's War on Poverty.

The goal became parity of opportunity for rural America which, more than before, was recognized as including non-farm rural families as well as farmers. "In Rural Areas Development," Secretary Freeman explained in late 1964, "we anticipated, in a sense, the concept of the Great Society. It means a broadening of RAD, a broadening of our research, a broadening of extension--from concern with physical resources to concern with people, and from concern with agriculture to concern with all of rural America." 25/ Likewise, there was to be "relatively less emphasis upon what we can do ourselves--through our own programs--and relatively more emphasis upon how we can help other agencies and other programs bring their benefits to rural America." 26/

In 1964-65, Congress passed several important acts which enabled USDA to expand its poverty programs. The Economic Opportunity Loan Program provided for loans to low-income people. The Housing Act of 1965 doubled the previous housing loan program. Establishment of the Neighborhood Youth Corps and Job Corps helped provide jobs and job training for needy rural youth. The Office of Economic Opportunity began a Community Action Program to help finance local projects in poverty areas. Efforts in conservation also increased as soil conservation districts broadened their objectives, and the beautification program got under way. To coordinate the development work of various agencies, the Rural Conservation and Development Service was established in February, 1965, replacing the Office of Rural Areas Development which previously coordinated RAD programs.

During the last half of 1965 the concept of rural development again took on greater scope and importance. Largely through a Task Force on Agriculture and Rural Life, the Secretary proposed new, far-reaching programs which gave greater importance to USDA planning in non-farming aspects of rural life. "Rural people," the Task Force maintained, "should have equal access to a quality education, vocational training in useful skills, occupational counseling, work experience, modern housing, health care, cultural and social activities, community services and facilities, and equal protection of basic worker rights...." 27/

The primary channel for achieving these goals was to be through Community Development Districts, which integrated the existing programs of several agencies to provide for their most effective use. These Development Districts, the Task Force stressed, did not represent government attempts to force people into rigid patterns, but were instead part of a plan to develop already existing multi-county functional communities where rural people of one locale naturally live and work. Community Development Districts would comprise both rural and urban residents and would provide "a population base which can support a full range of well-developed public services." 28/ Establishment of Community Development Districts would create a kind of master plan for rural development effecting all parts of the country, a plan with a central role for USDA but with much of the initiative coming from the local level.

Reporting on October 4, 1965, the Task Force suggested a number of laws to implement its program and the Secretary sent several of these proposals to the President on December 8. 29/ Freeman wanted funds for Community Development planning, pilot projects in education, a retirement program for low-income farmers, an environmental improvement program, and Opportunity Homestead and Child Nutrition laws. The Vietnam War, however, forced a cutback in government spending and President Johnson in his Rural Life Program speech of January 25, 1966 asked funds from Congress only for Community Development Districts and an incentive program to encourage young doctors to practice in rural areas. 30/ The House failed to pass the Community Development District Act and, since this was the main thrust of Freeman's proposals, significant expansion of government planning activities did not take place.

Despite failure of the Community Development District plan, the ideas behind it continued to influence administration policy. Racial turmoil in the cities brought attention to the problems caused by rural migration to urban centers and influenced the Secretary to stress the relation between rural and urban problems, particularly the need to solve rural problems in order to alleviate urban congestion. By early 1967 Freeman had defined his national policy in terms of a balance between rural and urban areas where equal opportunity existed in both. This way, a person could choose where he wanted to live and work without any economic pressure. "An unplanned policy of exporting rural problems to the city has drawn urban America into the rural crisis," Secretary Freeman

said at a Conference on Rural Poverty on January 30, 1967. 31/ If the trend continues, he said, by the year 2000, most Americans will live in "5 super strip cities" with more pollution and more congestion than today. The problem, according to Freeman, is that "We lack any accepted national goal in rural urban balance. In the absence of a national policy in this matter, decisions in industrial location, government installations, contract awards, and government program expenditures all tend to favor urban areas." 32/ Rural and urban areas, therefore, should not be considered separate and distinct, but part of an overall plan of growth and development.

To implement these ideas, proposals were again made in 1967 in the direction of rural-urban balance, but they were not so extensive as those made in late 1965. The President directed the Secretary to provide an Outreach function to identify and help coordinate the many programs available to local areas. Freeman assigned the major responsibility for Outreach to the Farmers Home Administration. President Johnson also proposed a modest multi-county planning program, help for migrant workers, and increased loans for water supply systems and recreation. 33/

The latest phase in the development of the rural-urban balance concept came during 1967 when the Secretary began to utilize the idea of establishing New Towns in the countryside. Influenced by New Deal greenbelt towns, British planning, and the ideas of other agencies such as Commerce and Housing and Urban Development, the concept of New Towns represented a significant increase in proposed government planning.

The extent to which the Federal government would intervene to locate and build these New Towns is unclear, since no definite blueprints have been worked out yet. Nevertheless, numerous ideas have been circulating since 1967. The minimum suggestions involve use of tax incentives encouraging private industry to develop new rural towns with all the facilities of urban areas, but without the ugliness and congestion. Along with this would come expansion of existing programs including Outreach, water and sewer planning grants, Rural Renewal and Rural Conservation and Development programs. Other propositions mentioned New Towns built on surplus National Forest land and uniform zoning procedures. "I can't tell you how many new cities should be built." Secretary Freeman said at the National Rural Life Conference Convention on August 11, 1968. "But I will predict that such a plan will call for eight to a dozen new centers of 100,000 to 250,000 population each, placed strategically along the length of Appalachia. They will be tied to the metropolitan areas of the eastern quarter of the Nation by new, comfortable, very fast trains. Thus, people will be able to enjoy the best of both worlds, living close to the country and yet having access to opportunities that only a metropolis can provide." 34/ In August, 1968 a start was made toward New Towns when the President signed the Housing and Urban Development Act of 1968, which provides grants and technical assistance for district planning by the departments of Housing and Urban Development and Agriculture.

Several study groups in the fall of 1967 further explored the extent to which the government should plan for rural areas. In September the National Advisory Commission on Rural Poverty published its report, The People Left Behind, which pointed out the need for multi-county planning. The Commission recommended "the creation of multi-county districts, cutting across urban-rural boundaries, to cooperatively plan and coordinate programs for economic development." 35/ In December, the State Department played host to a Symposium on Communities of Tomorrow which brought together experts from several fields to discuss rural and urban development. Also that fall, a New Towns Task Force set out to discover ways to promote New Towns in rural areas.

Early in 1968 President Johnson gave his endorsement to the rural-urban balance concept. "What is needed," he said in his February 27 message on Prosperity and Progress for the Farmer and Rural America, "is a restoration of rural-urban balance--a balance that assures rural America its full, fair share of educational, economic, social and cultural opportunity." 36/ To achieve this balance, the President recommended legislation in a number of fields, including "comprehensive planning for groups of rural counties" to "attract business and industry and make better use of Federal programs." 37/

By the summer of 1968 no national policy of rural-urban development had yet been worked out, but the concept of rural-urban balance had taken on sharp definition. Rural-urban balance borrows much from earlier thought. Like the early agrarians at the turn of the century, it glorifies

the rural life and the family farms and tends to be oriented against the usual big city environment. Like Elwood Mead, Franklin K. Lane, and Ebenezer Howard, its advocates stress the need for government intervention to create new communities. Like the New Deal plans, it puts forth a total approach embracing both rural and urban areas with comprehensive planning by the Federal government. But rural-urban balance also represents a departure from previous thinking. It aims to help non-farm rural people as well as farmers. There is less emphasis on small subsistence farms and more on larger commercial farms with sophisticated equipment. Finally, the planning involved in rural-urban balance does not attempt to force people into a pattern like New Deal communities sometimes did, but instead tries to improve economic conditions in rural areas enough so that each individual will have a choice where he lives and works. Despite direction from the Federal level, the government is counting on private enterprise and local initiative to carry much of the burden.

Like all large-scale plans, rural-urban balance has its problems. The first problem is that of cost. Though no complete estimates have been released, to do a thorough job of revitalizing the countryside would involve an enormous amount of money. Congress, reluctant to appropriate for huge non-defense programs, would probably vote down a grand plan or give it only token support. Related to Congressional reluctance is public apathy. "I do not believe that the American people as a whole understand what is happening to their country,"

Secretary Freeman said in July, 1968. "Because America does not have a sense of the total crisis, the people see no need for a unified, clear-cut national policy to overcome the crisis." 38/ Even if passed, such a national plan might be difficult to administer because so many agencies would compete for programs and funds, as pointed out, for example, in the Small Business in Smaller Cities and Towns hearings of March, 1967. 39/ Moreover, the problem of coordinating the various multi-county districts and local governments for best economic development might be insoluable, considering the multiplicity of zoning laws and interests involved. And if there is no real coordination, there will be no way to insure that greenbelt areas will stay green, that urban woes won't be exported to the country in smaller form as villages grow into little cities. These difficulties will have to be worked out before any meaningful solution to the nation's problems can be achieved.

Results of USDA programs over the past seven years have not even approached the ideal of rural-urban balance. Nevertheless, a beginning has been made toward that goal. By the end of 1966 about 3,000 counties and 565 multi-county areas had RAD committees working to bring government programs to rural areas. 40/ Rural Conservation and Development Service identified some 200 Federal programs outside USDA of value to the countryside. 41/ The Department has also had some success in getting industry to locate in rural areas. Since 1960 almost half the large plants started were built outside big cities. 42/ Since 1961 REA has

worked on 2,700 projects creating 216,000 jobs, SCS has helped about 3,500 new businesses to get started and the Forest Service has sponsored 47 Civilian Conservation Centers enrolling 8,400 in 1967. Progress has also been made in rural housing, recreation, and conservation. 43/

Although far from his goal, Secretary Freeman nevertheless looks optimistically to the future. In 1968 he summarized his hopes for American society in testimony before the Joint Economic Committee of the Congress:

> I see a countryside dotted with clusters of renewed small cities--new towns--growing rural communities (where the birds don't cough).
>
> I see each cluster with its own jobs, its own industries, and with its own college or university.
>
> I see each with its own medical center, and its own cultural, entertainment and recreational centers.
>
> I see farms in these clusters--and an agriculture fully sharing in the national prosperity.
>
> And, standing tall, I see our great cities--intact, but changed--free of smog--free of blight--free of despair.
>
> I see 300 million Americans, living where they choose--at ease with each other, and with their environment.
>
> That is my vision of America. 44/

Attainment of these goals is by no means certain. But Secretary Freeman believes that "Nothing is fixed about the future.... Rather the future is what we make it--for we are not the blind pawns of fate, but rather the masters of our own destiny." 45/

FOOTNOTES

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