

SENATOR ROBERT MORGAN

MURFREESBORO CHAMBER OF COMMERCE

FRIDAY, FEBRUARY 8, 1980, at 7:30 p.m.

COMMUNITY DEVELOPMENT

I am happy to have this opportunity tonight to talk with you about the future of our communities and their development over the next few years.

It's timely. I say that not simply because this is an election year and because I am seeking to represent our state in the U.S. Senate again. It's timely because we are, as a nation, just beginning our third century, and because we have just entered a brand new decade. It's a good time to

take stock and to see where we're heading.

As a young and well-endowed nation, we have prided ourselves on our growth. Development has been a key word in our national vocabulary since our forebears landed here. Competition has been our chief guide to developing our economy and to creating the wealth we enjoy.

But as we enter a new century and a new decade, we are setting up a new guidepost. Conservation is becoming a part of our daily thinking. When I was asked to talk about community development, I couldn't help but add the word "conservation". I think we need to talk about Community Development and Community Conservation.

When we used to think of "conservation", we thought of it in terms of natural resources. As North Carolinians, we are particularly fortunate that a conservation movement flourished early in this century. It left us with a priceless legacy in our western forest lands.

Today, however, conservation has taken on a different emphasis. You say the word "conservation", and people immediately think of energy. The rising price of oil and gas has made us acutely aware, as we were not a few years back, of how much energy we use in heating and cooling our homes, in producing and distributing the goods we require, in traveling to and from work. We are aware of how much more energy the world's growing population is using

each year; and of how limited are the sources of energy we now rely on.

The price of oil is not only revolutionizing certain governments, it is fundamentally changing the way we think. It, and other changes in the economy, are impressing upon us that we need to think about conserving in all aspects of our lives.

In accepting your invitation to talk about community development, my theme is simple: I believe we must, as we enter a new period of our history, think more about conserving our communities, even as we are developing them

A look at the U.S. budget will show you why. Just over a week ago, the President sent to the Congress his proposed budget for Fiscal 1981. This budget gives us a good idea of what the business of government is today. It also shows us why we need to think more about conserving. I'm doing my homework on the budget now, and would like to share a little of it with you.

As persons concerned with producing valuable goods and services, and meeting weekly payrolls, and paying taxes, and as people concerned with the future development of your communities, I hope you will have an opportunity to review the Administration's budget proposals and particularly its plans for housing and community and regional

development programs. Remember, the Administration's budget is only a proposal. The Congress, representing you, will make the final decisions. As your representative in the Senate, I shall certainly want to hear your views when the budget debate begins. The Administration's proposals do generally set the framework for the budget debate. And that framework has, I believe, clear implications for the future development of our communities.

The President has proposed a federal budget calling for outlays of almost six hundred and sixteen billion dollars for fiscal years 1981. This is 9 percent higher than last year's level. The President's economists foresee continued inflation at 9 percent. The Administration,

accordingly, is proposing a budget that holds the line on spending in real terms. It is, in the President's words, a budget that continues the "strategy of restraint" adopted in 1980 by the Congress. I strongly support continued budget restraint.

The budget would move toward a balance of revenues and outlays by yielding a deficit of less than \$16 billion. This would be the lowest federal budget deficit in the last seven years. However, should defense requirements significantly increase as a result of recent moves by the Soviets, the deficit could rise and pull with it the inflation rate.

The budget assumes there will be a recession during the year, and some decline

in the nation's gross national product. Should business conditions deteriorate significantly, the President indicates that he has plans to stimulate business and employment through tax reductions and job creation programs.

While the Administration's budget would not increase overall spending in real terms, it does provide a substantial real increase in outlays for defense. In 1981 defense spending would be authorized at a level of \$158 billion, an increase of 5 percent in real terms over the 1980 level. The budget would, moreover, commit the nation to step up defense spending by \$90 billion over the next five years. Increases in spending are also requested for energy development, youth training and basic

research. These requests do not appear to exceed the expected inflation rate.

Accordingly, almost all of the real increase in spending that can be controlled is directed toward strengthening defense. The remaining budget increases are for spending programs that are already fixed in law, such as social security payments, and interest on the national debt.

When it comes to housing and community development programs, the new budget is, I would say, really restrained. My figures indicate that spending for these programs in 1981 will, in real terms, be less than in 1980 or 1979. Mortgage credit programs face a reduction in the amount of new credit that will be made available. The Administration, moreover, has indicated

that it plans to reduce further credit availability as part of a new Federal Credit Control Program aimed toward curbing interest inflation. Assisted Housing spending appears at first look to be higher than last year; but this is largely the result of commitments made by HUD months ago. The level of new commitments to aid low- and moderate-income renters this year actually will fall just below 300,000, a figure that is below the levels requested by the President when he entered office. Spending will also dip, in real terms, for Community and Economic Development Programs. It should be noted that particular programs, such as Economic Development Assistance, Rehabilitation Loans and Energy Impact Assistance were selected for increases. On the whole; however, housing and community

development programs will not hold their own during the coming year, when inflation is taken into account. And there is evidence that they will not be considered a high priority in the near future unless circumstances change drastically.

The sobering budget outlook does not mean that we will not have opportunities for improving our communities. We will. North Carolina is growing and will continue to, according to a number of studies.

A number of scholars say the United States is undergoing a rural renaissance. We are, they contend, experiencing a basic change in our population settlement. For many decades, the non-metropolitan areas of the country lost population. During

The 1960's they lost over 3 million people. But in the 1970's that changed dramatically. While final figures are not yet in, it appears that over the past ten years, substantially more than 3 million more people moved into non-metropolitan areas than moved out. Urban centers didn't grow the way they used to during the 70's. The magnetism of the big metropolis appears to have waned. In a turnabout, it was the smaller cities of the nation that gained the bulk of our recent population growth.

Job opportunities also have been shifting: employment in non-metropolitan areas has grown faster than it has in our big urban centers. These metropolitan centers often have older and inefficient industrial plants, and they sometimes

exhibit a hardening of the arteries that limits their ability to adapt to the changing needs of business and industry. In contrast, the younger and smaller non-metropolitan areas generally have shown a receptivity to growth, along with other economic advantages. Employment in non-metropolitan America has not only increased, it has become more diverse. We know that in our own state, much of our recent growth has been associated with the shift in manufacturing to locations away from the big cities of the North. There has also been increased tourism and retirement settlement. And with these has come additional growth, particularly in the professional occupations and service industries. Our non-metropolitan areas are no longer dependent solely on farming.

There is good reason to believe that the renaissance of our non-metropolitan communities will continue in the 1980's. For one thing, Americans seem to prefer small-city living. Major polling surveys have found that while people like to have access to a big city, they would rather live a small-town style of life. For another, industries have found that technological changes in communities, information processing, and in production techniques now permit them to locate in areas distant from urban markets which previously were not competitive economically. The growth projected during the coming decade clearly indicates that we will have continuing development opportunities in non-metropolitan American, and in North Carolina. We will need to continue to

develop our communities in order to provide for growth, and to solve some of the problems that have not been solved before. The Administration recently issued a small communities and rural development policy report. It cited some of the problems which a developing rural and non-metropolitan America must resolve.

-- Poverty: Poverty is more concentrated in non-metropolitan America than elsewhere. It is estimated that there are at least 9 million Americans living in poverty in such areas. Unlike poor families in urban areas where are frequently headed by a woman with children or a person not in the labor force, poor families in non-metropolitan America frequently have one or even two members that work. Rural

poverty tends to be poverty caused by low-wage industries and too few skills.

-- Health: Non-metropolitan Americans lose more work time because of illness, have a higher incidence of chronic disease and have a higher rate of infant mortality. They have access to fewer doctors, dentists, nurses and hospitals.

-- Housing: Our worst housing conditions exist in non-metropolitan America. Millions of families living outside of urban areas still lack decent housing with running water, plumbing and adequate sewage disposal.

-- Economy: Smaller communities and rural areas are generally more vulnerable

to swings in the business cycle than are larger communities. Business and economic development activities are generally more handicapped, because they do not have access to capital and affordable credit.

-- Local Government: Small localities generally have greater difficulty in building and maintaining facilities and in providing needed community services, than do larger urban centers. They frequently lack the financial ability to match grants or repay loans, and have less ability to get them because they are often far from federal and state offices.

The projected growth of our communities during this period of budget restraint indicates that we're going to have to do

more with less. It suggests that in providing housing, streets, water and other community facilities, we are going to have to eliminate waste that we have tolerated, and even possibly encouraged in the past.

We are spending millions today to make our homes more energy efficient. I suspect that we're now going to have to put more emphasis on materials efficiency and on the life-cycle costs of a house and somewhat less emphasis on low initial cost. Long-run costs are probably more important and no less real than short-term costs.

We are also going to have to give up thinking in terms of replacement rather than repair, and building new rather than rehabilitating the old. Senate hearings

on housing needs have indicated that if we are to meet the needs of our growing population, we must construct about two million new housing units each year. The hearings, however, also indicate very clearly that we must do considerably more to preserve the more than 66 million housing units we already have.

Serious efforts are already being made to preserve our existing stock of housing. Both HUD and Farmers Home are substantially expanding rehabilitation assistance programs, and at the state and local levels of government, comparable efforts are underway.

It seems to me that we now have to apply the same lesson to our communities. We've got to plan and build them better,

and do more to preserve them. We can't afford to permit them to be used, abused and abandoned the way it has happened in some older areas. Neighborhood Revitalization and Community Preservation should be active programs in our smaller communities as well as in our major urban centers. Just this week, for example, the Administrator of the Farmers Home Administration notified my office that he will be requesting a change in legislation in order to permit Farmers Home to help localities to rehabilitate and resell older houses that have been abandoned in smaller communities. The problem, he said, had come to his attention in a small town in Idaho; but when he looked into it, he found that the same problem can be found in many small towns throughout the country. I expect to support his request, and

anticipate that the Congress will approve a change in this year's housing bill.

At recent Senate hearings on the problems of our cities, it was reported that many small communities are like many of their larger brothers, living off their present investments and failing to maintain adequately their streets, water and sewer lines, bridges and other facilities. Many have already found that the neglect of maintenance can be devastating. As one witness said: "You can't dig up a going city all at once." And he neglected to say that frequently you can't pay for it either.

Smaller communities have got to plan for cycles of replacement and budget for replacement costs. The federal government

can no longer be counted on for needed grants.

There is another step we must take if we are to assure the future development of our communities in a time of tight budgets. We must forge effective partnerships between our local, state and federal governments and between government and the private sector.

As you know, there have been significant steps taken in our state to coordinate the actions of local and federal agencies. Both HUD and Farmers Home have, with considerable encouragement from the state and its representatives to the Congress, developed unique agreements with state agencies in order to ensure greater

coordination of programs. I'm told they are considered to be successful. There has also been a significant strengthening of ties between private business and government in efforts to expand community and economic development programs. HUD's urban action grants and EDA's development assistance programs are based on the knowledge that joint action is needed in this time of budget restraint.

I happen to believe that such joint action is essential for the success of community development. Without the active involvement of the business community, there's little chance, I believe, to build a sound foundation for future development.

For this reason, I think we've got to

do much more to assure that our federal programs are linked closely to efforts by the private business sector.

We are today being challenged to produce more efficiently in order to increase our Gross National Product and to curb inflation.

I think we are also being challenged to use more effectively the things we have.

Increased productivity and increased conservation are both going to be necessary to solve our problems in the decade ahead. This is as true, I think, in meeting our housing and community development objectives as in achieving any other of our goals.