ment 97 which relates to land and water resources. The rate determined by the procedure prescribed in Senate Document 97 is at the low end of the range of rates in use by the agencies and therefore may be an overly conservative estimate of interest costs on Government borrowing.

Long-term rates show no sign of returning to the level of 10 or 15 years ago. Furthermore, the legal restriction on long-term interest rates has forced a substantial amount of refinancing of the public debt through the sale of higher yield short-term securities. It, therefore, appears to us that the current average yield rate reported in the Treasury Bulletin is a better basis than Senate Document 97 for determining interest costs. In this connection, we have noted with interest that your committee has requested the views of the Water Resources Council on the propriety of the discount rate determined under Senate Document 97. This is a little bit out of date because, as you noted in your opening remarks, the budget being submitted to the Congress today calls for an increase in the discount rate.

A variation, which we believe has considerable merit, on the pure interest school of thought is to include the effect of forgone Federal taxes which would be collected from the private sector of the same funds were invested there.

As brought out in our report, if the full costs of borrowing, including an estimate of forgone taxes from the private sector, are considered, the difference between the various schools of thought is narrowed substantially. If this concept is accepted, it would appear that there is a good possibility of a satisfactory reconciliation of varying points of view regarding the rate to be used.

To conclude, Mr. Chairman, we believe that the results of our survey of Federal agency practices suggest that the case for discounting is being accepted, but that there are significant differences of opinion in the agencies over the appropriate discount rates to be used. Because of the wide variation in discount rates and techniques being used by the executive agencies to evaluate and justify their programs and because there is strong impetus to use of the discounting technique provided by Federal agency adoption of planning-programing-budgeting systems, we believe that centralized guidance is needed. The Congress itself may wish to provide guidance to the executive agencies on this important topic.

This concludes my statement, Mr. Chairman.

I have with me here this morning, at my left, Dr. Rathbun, who has been with us and did a great deal of the work involved in the report, and who has now left us and is at the University of Pittsburgh. He has returned today for this reading.

And also, to my left, is Mr. Morse, who is the head of our Office of Policy and Special Studies which had the responsibility for this report, and Keith Marvin, who has replaced Mr. Rathbun as head of the systems analysis group in Mr. Morse's office. Mr. Ted Rabun is on his staff.

I would like to also add we received on Friday a short notice from the Bureau of the Budget indicating that they were considering the possibility of central guidance in this area. This, of course, we would welcome and we believe it is in line with the general recommendations we are making.