

ALTERNATIVE FINANCING METHOD FOR WASTE TREATMENT WORKS CONSTRUCTION

Of the most concern to Michigan among the bills which are now before you, is H.R. 15907.

The impact of this bill not only holds little prospect for advancement of pollution control in Michigan, but gives every indication of seriously impairing our purpose and progress.

Lieutenant Governor Milliken presented the State's position on the counterpart bill S. 3206 before the Senate Subcommittee on Air and Water Pollution on April 10. Copy of Lieutenant Governor Milliken's statement is attached to my statement. Briefly, our position as expressed by him, is as follows:

Our goal, by 1980, is to effectuate full pollution control in Michigan, with an adequate and dynamic program to maintain it. This will involve constructing 210 new municipal treatment plants, improving 126 existing sewage treatment plants, and building collecting sewers for an additional 3.5 million people.

Costs of this program are estimated at \$1.2 billion, of which \$568 million is for treatment and interceptor facilities and \$641 million is for lateral sewers and storm water control.

The payment formula for the \$568 million set forth in the 1966 Clean Water Restoration Act (P.L. 89-753) would call for Federal assumption of 50% or \$284 million, and State and Local shares of 25% or \$142 million each.

To provide for full accomplishment of these urgently needed improvements, without the crippling injury of protracted scheduling, Michigan has embarked on a bond issue proposal that will finance full-scale attack along the entire pollution front.

To be on the safe side, our bonding proposal assumes that the Congress may not appropriate enough to provide the \$284 million for Michigan but may be expected to appropriate half that amount.

This means the State will be prefunding half of the Federal share by picking it up in our bonding issue in the hope that the Federal money will come through eventually. Put differently, this means the State is prepared to initially assume one-half of the cost.

It was only in November of 1966 that the Federal Water Pollution Control Law (P.L. 84-660) was amended to provide for State or Local prefinancing of the Federal share of eligible projects, such prefinancing to be repaid from Federal appropriations in future years.

This provision became the foundation upon which the States, through bond sales, could launch full-scale programs for prompt and total abatement of existing pollution problems.

Now—just 18 months later—H.R. 15907 would remove this provision for all projects started after July 1, 1968.

With prefinancing no longer provided for, pollution control programs would revert to either:

1. Gearing construction each year to the Federal appropriation for that year, or—
2. State and local assumption of the full costs each year over and above that which is paid by the Federal grant in that year.

The new method of Federal participation under the amendments proposed in H.R. 15907 to pay principal and interest on the Federal share of project costs on a contractual basis, would exclude 229 of 336 needed plants or interceptor projects in Michigan from assistance. These projects which are excluded would serve communities neither in Standard Metropolitan Statistical Areas nor in areas with populations of more than 125,000 as required in H.R. 15907. It is precisely these smaller communities that find it extremely difficult to finance pollution control works. It is these 229 projects which, under H.R. 15907, would find Federal aid solely in the annual appropriation for grants—a prospective mere \$8 million for next year. If pollution control is to be achieved within the time that the situation's urgency demands, such aid must either be forthcoming now or there must be some dependable assurance from Congress that it will be forthcoming in the near future under a stabilized policy. Such assurance is clearly implied in the Clean Water Restoration Act.

Besides limiting the new methods of financing to projects for Standard Metropolitan Statistical Areas and areas over 125,000 in population, the bill contains other highly restrictive provisions which raise serious questions as to its usefulness in combating water pollution; particularly the requirements that local units