The payment formula for the $568 million set forth in the 1966 Clean Water Restoration Act would call for Federal assumption of 50 percent or $284 million, and State and local shares of 25 percent 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.

Thus a state bond issue of $285 million, plus Federal financing, would pay 75 percent of the cost of building new disposal plants and interceptors, and improving existing plants to provide secondary treatment facilities for all municipalities. This would leave local units of government the obligation of financing the remaining 25 percent of such costs, plus paying 100 percent of the costs of lateral sewers. Yesterday, the Michigan State Senate unanimously approved placing on the November general election ballot a bond issue proposal for not only the $285 million for plants and interceptors, but for an additional $50 million for aid in sewer construction.

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 basis on 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—S. 3206 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 proposed in S. 3206 to pay principal and interest on the Federal share of project costs on a contract basis would exclude 229 of 336 needed plants or interceptor projects in Michigan from assistance under the proposed amendments. These projects all would serve communities neither in Standard Metropolitan Statistical Areas nor areas with populations of more than 125,000 as required in S. 3206. It is precisely these smaller communities that find it extremely difficult to finance pollution control works. It is these 229 projects which, under S. 3206, 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 S.M.S.A. 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 of government must finance treatment works from service charges, and that their bonds be taxable.

Local governments, because of their existing financing commitments or size limitations, would be unable to finance construction of treatment works solely from service charges; they must in fact use a combination of several methods of financing available. Even some of our major communities report an insufficient economic base to finance from service charges. Some 165 smaller communities in Michigan are without either a collection system or treatment works. Under Michigan statute, villages are limited to revenue bonds or general obligation bonds in financing treatment or collections systems. As an example of cost