Now, you get in some other questions there, which I was not aware of, that this was not limited to the $2.5 billion, but that the interest was not included and something else was not included, and you could go up to $8 billion. This I was not aware of.

I might say that I think Treasury, because we have been discussing it with them and so forth, is opposed to the concept of prefinancing. We talked to them about the possibility of using pre-financing in connection with mass transportation projects and model cities projects, so that we could go on with some of these jobs, which at the moment are really just promises. And they have finally come to the conclusion that they are opposed to prefinancing.

This leaves much wider latitude in the local government. It removes Federal control over the pace and speed and the rest of it in approval of projects, except in principle.

And I think really it gets back to what the chairman said that Treasury feels that it would be considerably cheaper to the Government as a whole to use this method of taxable bonds with the Federal paying the difference in the interest rate. I think probably there is no question but that is true. It would be cheaper for the Government as a whole; but it puts the control in the Federal Government.

It removes the flexibility of independent action by local government, and I think strikes a very serious blow at the whole concept of the federal system, which is Federal, State, and local shared responsibility with maximum initiative and ability to deal with local problems at the local level. I think that to me is the most serious phase of this whole question: Is the removal of this basic flexibility of local government.

Mr. CRAMER. I am very intrigued with your continued strong support for State and local government responsibility.

Governor ROCKEFELLER. Yes, sir.

NO STATE ALLOCATION FORMULA

Mr. CRAMER. And States' rights. And as evidence in this context, one aspect that disturbs me that I would like to have your comment on is: There is no allocation formula in this proposal as compared to the present law.

Governor ROCKEFELLER. That is right.

Mr. CRAMER. New York's guarantee, as you suggest, is $16 million or $17 million out of the $275 million appropriation—or $225 million, is it not, appropriation? New York gets, what did you say, $17 million?

Governor ROCKEFELLER. Under the total action of the formula, it comes out to $17 million.

Mr. CRAMER. But under this bill, the difference between what we appropriate and the $700 million, if they exceed the $700 million ceiling—and they do not have to if they do not want to—there is nothing mandatory in this as you read it, is there that they will be limited even to the $2.2 billion?

Mr. PEDERSEN. No, I do not think so. That is not clear.

Mr. CRAMER. So there is no limit really of $2.2 billion. But out of the difference of $225 million appropriation request and the $700 mil-