336 pollution abatement projects will be knocked out of any Federal aid.

The reasons for this are twofold. One, these 229 projects are communities of less than 125,000; and, secondly, because obviously there will not be enough cash available in the grant porgram.

My question, Governor, is: How many of New York's contemplated projects would lose Federal aid if the prefinancing provision is dropped July 1?

Governor ROCKEFEELER. As far as New York state is concerned, the public authorized a bond issue of $1 billion, half of which is for prefinancing the Federal share; and probably—being completely candid here—the State would go ahead on this program.

However, it is the local governments who have to sell bonds and who would not—and particularly those under 125,000 population—some communities get prefinancing and there would not be the opportunity for in my opinion to shift these programs to conform to this new law.

I think we would have a stalling of a large percentage of our program in New York, primarily by local government. If we had to force them through the courts by legal action to go ahead, even though they were not going to get any of this back on prefinancing, I think it would take years for us to do it.

It would have a disastrously disrupting effect. Of the $534 million in projects planned for 1969 we expect to prefinance about $250 million.

Mr. MCCARTHY. So that half would be knocked out, eventual reimbursement, if the prefinancing provision were dropped?

Governor ROCKEFELLER. They would all be knocked out, except the State would go ahead with its share; but the local governments would not, because they would then be caught in a bind. So it would in a sense be the same as Michigan. There are both sides of it. In New York the State has the funds. It would be very expensive to the State.

Mr. MCCARTHY. Yesterday in another colloquy with the Secretary of Interior, I advanced the proposition that he consider an optional feature to retain the present financing feature, as the chairman indicated we might this morning, and then offer states that route or the bonding route. His response was that we might be able to work that out. I think there is a lot of sentiment on this committee for retaining the prefinancing provision.

Governor ROCKEFELLER. Mr. Congressman, do you know whether that would include permitting under those projects which were prefinanced the use of tax-exempt bonds? Because if we had to go to taxable bonds and pay the higher interest rate, one, we would be held up by the law as was pointed out that we do not have the right to sell over 5-percent interest; and, secondly, the cost would be far greater