

On advancing the cut-off for eligibility for reimbursement

Our chief objection is to the change in the date which shortens the time during which construction must be started if a plant is to qualify for reimbursement through later federal repayment of the federal share of project cost. According to Sec. 8(c) of P.L. 660, as amended, the federal share of costs could be repaid for projects on which construction began between July 1, 1966 and July 1, 1971, and which met other requirements for federal assistance but were constructed without such assistance. Reimbursement was to come from later federal monies allotted to the state under the construction grant program. Reimbursement was to be in the amount the project would have received if it had been approved for a grant and adequate funds had been available.

P.L. 660 says clearly that the provision for reimbursement of state and local funds used for such a project prior to July 1, 1971, should not be construed " * * to constitute a commitment or obligation of the United States to provide funds to make or pay any grant for such a project." Nevertheless, to get control of the mounting pollution problem, it seemed desirable that states with financial resources undertake prepayment of the federal share. States that altered their laws to permit repayment on plants begun before mid-1971 were lavishly complimented for doing so.

Prefinancing has become a major feature of the pollution abatement programs of some states. Now it is proposed to change the rules less than eighteen months after the Clean Water Restoration Act amendments became law.

In recent years, great efforts have been made to devise programs and supply funds to encourage state support for pollution abatement. Cooperation between state and federal levels will not be advanced by this proposal to change the 1971 date to 1968 and thus narrow by more than half the period during which construction would be eligible for federal reimbursement if all other necessary conditions had been met.

The League *opposes* shortening the period of eligibility for reimbursement. In view of the lead time necessary before treatment plant construction could be started and of the changes in state laws necessary before prepayment could be used, there must be many plants planned, with bonds approved in recent referenda, that will not be underway by July 1968 yet expected to have federal reimbursement because they would be under construction before July 1971. To preserve harmony with the states and to strengthen state and local faith in the reliability of the federal construction grant program, we think such plants should receive the help for which they are eligible under the amendments made in 1966 by the Clean Water Restoration Act.

On reimbursement under the contract method

Although the League supported reimbursement in 1966, reasoning that states and localities able to move ahead on pollution abatement should be encouraged to do so without delay, we have always been uneasy about the assumption that a state could rely on eventually receiving a federal share equal to the money the state invested in pollution abatement facilities. Since periodic installment payments of the federal share of capital and interest charges will be contractual arrangements, we assume that no question of prepayment will arise under the new method of stimulating waste treatment facility construction up to the level authorized by law. In the long run the contractual obligation should be a more reliable guarantee of reimbursement than the provision in Sec. 8(c) of the present law.

On long-term effects of installment financing

We do not want to say that a system of installment payments should become the procedure for many types of federal aid to states and local jurisdictions. Nor do we want to say that it should be the pattern used for federal support for water pollution abatement incentives after 1971. Contracts obligating the federal government to installment payments might limit the government's freedom of choice in spending its income, much as installment debts constrict the disposal income of an individual or family.

The League *has no position* on long term financing by the contract method. We are in favor of using it for funds now authorized, in order to break the construction backlog building up because of uncertainty about federal aid. Further study and discussion of the effects of this method well before the time of consideration of post-1971 authorizations might give a better basis for long term decisions. We suggest that provision be made for such a study by the staff of this committee.