the interest rate to be used when obtaining reimbursement over time from non-Federal interests on Federal investments in municipal and industrial water supplies.

The subject of interest rates and discount rates has long been the subject of intense concern. It was prior to promulgation of Senate Document 97 in 1962 and it is in this hearing.

The concern in 1962 is reflected in the following statement contained in the document:

> This procedure shall be subject to adjustment when and if this is found desirable as a result of continuing analysis of all factors pertinent to selection of a discount rate for these purposes.

In the intervening years, although discussed on many occasions by those involved in the field of water and related land resources planning, it was not until April 1967 that the Water Resources Council believed it might be feasible to initiate definite continuing consideration of this subject by its Economics Committee. It then requested the Committee to do so.

I say "might be feasible" only because all Committee members have full-time jobs within their own departments and agencies. The Water Resources Council staff, to date, has only been able to assign one-fourth man-year of concerted professional staff time to all matters involved in Senate Document 97. Despite problems of staff time, the Economics Committee and the Water Resources Council staff have been able to contribute very valuably to the Council's consideration of this important matter.

Proposed New Discount Formula

The budget message that President Johnson sent to the Congress on January 29, 1968, informed the Congress that—

> The Water Resources Council is developing a more appropriate interest rate to be applied in formulating and evaluating water projects. The revised rate will be related to the average estimated current cost to the Treasury of long-term borrowing. It will be higher than the rate now in use for project evaluation. The new rate will be applied to future projects in order to assure the most effective use of Federal funds in the development of the Nation's water resources.

Later in the budget document, it was stated that—

> The interest rate now being used by Federal agencies in formulating and evaluating proposed water resource projects is significantly lower than the cost of borrowing by the Treasury. To improve the evaluation and selection of projects, administrative action is underway to relate this rate more closely to the average estimated current cost to the Treasury of long-term borrowing. The new interest rate, which will be higher than the rate now being used, will be applied in preparing future project evaluation reports.

The reason that the President referred, in this regard, to the Water Resources Council is that section 103 of the Water Resources Planning Act provides that—

> The Council shall establish, after such consultation with other interested entities, both Federal and non-Federal, as the Council may find appropriate, and with the approval of the President, principles, standards, and procedures for Federal participants in the preparation of comprehensive regional or river basin plans and for the formulation and evaluation of Federal water and related land resources projects.

Accordingly, after substantial deliberation in which representatives of the Bureau of the Budget and the Department of the Treasury par-