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RESTORE RURAL WATER AND WASTE DISPOSAL GRANT PROGRAMS

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HEARINGS BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 3219 and H.R. 3298

FEBRUARY 19 AND 20, 1973

Serial No. 93-D

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WASHINGTON : 1972

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RESTORE RURAL WATER AND WASTE DISPOSAL GRANT PROGRAMS

MONDAY, FEBRUARY 19, 1973

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to call, at 10:05 a.m., in room 1301 Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Stubblefield, Vigorito, Jones of North Carolina, Sisk, Rarick, Jones of Tennessee, Denholm, Gunter, Teague, Wampler, Goodling, Sebelius, and Symms.

Also present: Christine S. Gallagher, chief clerk; Fowler C. West, staff director; John O'Neal, general counsel; Hyde H. Murray, associate counsel; and John Rainbolt, assistant counsel.

The CHAIRMAN. The committee will please come to order.

It is with a great deal of disillusionment and disappointment that we must hold these hearings, but on January 10 of this year, only some 2 weeks after the announcement of the termination of the rural environmental assistance program, the Department of Agriculture, in a curt press release, announced the termination of the planning and development grants in the water and waste disposal programs of the Farmers Home Administration. Bear in mind that the word "termination" was again used just as it had been with the rural environmental assistance program. This is considerably beyond the previously utilized practice of impoundment or the freezing of funds. The word "termination" has a very final sound, and I am convinced that this administration has no intention of ever making future grants in our rural areas for water or waste disposal systems. These grants were authorized under the Poage-Aiken Act of 1965, and since that time approximately 2,650 rural water and waste disposal systems have been assisted with grants under this program. There are thousands of small communities throughout the Nation that are in desperate need of adequate and healthy water and waste disposal systems. That is the reason that on the motion of Congressman Delbert Latta, a former member of this committee, the House just last summer voted to raise these funds from \$100 to \$550 million.

The final conference report provided for \$300 million and President Nixon signed the bill and praised it as needed legislation. Just 5 months later he repudiated not only the increase but the existing program as well. In many, many cases, loan funds through the Farmers Home Administration do not alone provide adequate financial assistance because in order for a water or waste disposal project to be feasible, grant funds must be made available.

I know that even under the former program there are many perfectly sound applications for assistance to construct water or waste disposal systems which have not been acted upon because sufficient grant money has not been available. I recall that one of these small towns in the western part of my district has had an application for a water system which has been pending for 3 or 4 years, but since the application calls for a grant in addition to the loan, it has not been approved simply because there have not been enough grant funds available to meet the needs of all the applications. It wasn't long ago that this little community had to haul water in because the local wells had gone dry during an extended drought.

I simply cannot understand the rationale of the Department's decision. Of course I should add here that I recognize that the Department was directed to take this action from higher sources. But regardless of who made the decision, the people in thousands of rural communities throughout the Nation will have to pay.

It appears that since 1966, when the grant program went into effect under the Poage-Aiken Act, the Congress has recognized the need of this program far more than has the executive branch. Figures I have received indicate that from the program's beginning until the present time, the Congress has appropriated some \$498 million in grant funds, but the Department of Agriculture has utilized only about \$264 million for this program. This is just over a half of what the Congress appropriated. Frankly, I think this is a sorry record. In view of this pathetic situation, I find the proposal to completely kill this program not only unbelievable but intolerable.

The legislation I introduced, and those bills introduced by some of my colleagues, would direct the Secretary of Agriculture to make all of those grant funds appropriated by the Congress available to needy projects. This would include the planning grants also.

The administration has justified its action on the grounds that the existing program is not mandatory. It is not mandatory and Congress has long recognized that we should get better administration of a nonmandatory program, but when the administrators of a program refuse to carry out the clear intent of Congress, we find it necessary to make such programs mandatory and that is what this legislation proposes to do. I recognize the shortcomings of the Congress—I realize that we have appropriated more money than was prudent—and I would offer no criticism were the President to prune all government expenditures at the same rate, thus leaving the priorities as established by the Congress. I think that we must let the elected representatives of the people decide which are the most important programs. As to this specific program, we will try to make it mandatory if that is what it takes, and that is what this legislation does. I don't intend to sit idly by and let this administration, or any other administration, completely ignore not only Congress but the welfare of the people in thousands of rural communities that desperately need this program.

I know we have been told that these needs will be met by the Environmental Protection Agency under the Federal Water Pollution Control Act. That program, we are told, will provide assistance in the form of grants for waste disposal systems. No mention is made of grant funds for water systems. But more than that, I question seriously the future accessibility of these funds to any rural areas.

I don't mean to find fault with the Environmental Protection Agency because I think it is doing its best to accomplish a monumental task. I am simply afraid that, in view of some of the gigantic problems facing this Agency, that rural areas will not get a fair share of these funds.

Of course we are aware that the Secretary of Agriculture has been named to the post of Counselor to the President for Natural Resources. I wish that the Department's witness tomorrow could come here and assure us that in view of Secretary Butz's new duties, we could be assured that rural communities would receive an amount at least equal to the \$150 million which the Congress provided for the rural water and waste disposal grant program during fiscal year 1973. I doubt that we will receive any such assurance, and I suppose that is why we are holding these hearings today. I am hopeful that we will pass this legislation with a minimum of delay. Rural communities need this help. Let's try to give it to them.

(The bills, H.R. 3298, by the chairman, Mr. Poage, and H.R. 3219 by Mr. Alexander, are identical. The text of H.R. 3298 and the Departmental report follow:)

[H.R. 3298, 93d Cong., first sess.]

A BILL To restore the rural water and sewer grant program under the Consolidated Farm and Rural Development Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 306(a)(2) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(2)) is amended by (1) striking out the words "is authorized to" and inserting in lieu thereof the word "shall"; and (2) by inserting after the word "grants" the words "in the amounts specified in appropriations Acts".

SEC. 2. The first sentence of section 306(a)(6) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(6)) is amended by (1) striking out the word "may" and inserting in lieu thereof the word "shall"; and (2) by inserting after the word "grants" the words "in the amounts specified in appropriations Acts".

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., February 17, 1973.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for a report on H.R. 3298, a bill "To restore the rural water and sewer grant program under the Consolidated Farm and Rural Development Act."

H.R. 3298 would change Section 306(a)(2) of the Consolidated Farm and Rural Development Act under which the Secretary is now authorized to make water and waste disposal development grants to state that the Secretary "shall" make such grants. H.R. 3298 would also change Section 306(a)(6) of the Consolidated Farm and Rural Development Act under which the Secretary "may" make certain comprehensive planning grants to state that he "shall" make such grants. H.R. 3298 also states that the Secretary shall make grants under Sections 306(a)(2) and 306(a)(6) in the amounts specified in appropriation Acts.

We are in thorough agreement that the need for water and waste disposal grants in rural areas is great, but we cannot recommend that H.R. 3298 be enacted into law. The need is real and it is cogent. The construction of sewers for existing communities is available for funding by the Environmental Protection Agency upon application and certification by the States as to priority. This places such grants within the overall environmental effort which we strongly support. These grants would provide for 75 percent of facility cost as compared to the limitation of 50 percent under Farmers Home Administration

grants. Water system grants where necessary could be provided from shared revenues. Both approaches have a distinct advantage in that States and local communities can appraise their needs and determine their priorities.

Fiscal awareness and a sense of budgetary responsibility prompts us to recommend that we do not legislate a mandate for the expenditure of all appropriated funds. We must recognize that the requirements of all agencies and programs should be considered in developing the overall budget.

As for the cost which would result from enacting the proposed legislation, we have found that the cost of administering a grant program amounts to about 1.5 percent of the grants themselves. A total of \$150 million was appropriated for water and sewer grants for fiscal 1973. Administrative costs for the year would be approximately \$2,250,000.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL, *Under Secretary.*

The CHAIRMAN. Now, Mr. Alexander was to have made a statement at this time, but Mr. Alexander is not now present.

Congressman Johnson of California is listed and I do not believe he is presently here.

Mr. SISK. Mr. Chairman, would it be in order to ask unanimous consent that their statements be made a part of the record?

The CHAIRMAN. Yes, it will.

Mr. SISK. I ask such unanimous consent.

The CHAIRMAN. Without objection, their statements will be inserted at this point.

(Mr. Johnson appeared later in the hearing. Mr. Alexander's statement follows:)

STATEMENT OF HON. BILL ALEXANDER, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF ARKANSAS

The program which is the subject of our deliberations today is one of tremendous concern to me. Since even before my election to the Congress, I have been involved in efforts to improve living standards and opportunities in the Nation's countryside. I believe that individuals and families should be able to choose to live in non-metropolitan areas without forfeiting the conveniences of modern living.

Depopulation has been a serious problem for the Nation's counties such as the ones which compose Arkansas' First Congressional District which I represent. For parents to be able to choose to stay in the countryside they must be sure their children will have access to education, economic opportunities and housing.

An essential element in desirable housing is the availability of water systems and sewage disposal systems. The water and sewer system programs which have been operated by the Farmers Home Administration were intended, by the Congress to make these facilities available to countryside residents.

These systems not only help insure healthful living, their availability improves the small communities' chances of persuading new businesses and industries to select them as locations. Improved job opportunities assist in expanding resources available for such public activities as educational programs.

The Department of Agriculture's decision to terminate the planning and development grant program for water and sewer projects under the Farmers Home Administration is a death warrant for small communities of the countryside. It is particularly unacceptable in the absence of a firm financial commitment from other agencies as the resources they will make available to these non-metropolitan areas.

To give you a clear idea of the magnitude of this problem, let me quote some statistics on the state of Arkansas. According to the 1970 census, there were 672,697 all-year-round housing units in the state that year. Of these 230,377 units did not have access to public or private water distribution systems. And, the majority of these—225,300 units—were identified as being located in rural areas.

Of the housing units in the state 317,286 were identified as not being connected with a sewer system. And, 284,257 of these units were in rural areas.

I recognize the need for fiscal responsibility, and for striving to regain and maintain control of government spending. I support efforts to do so. But, I believe that it is foolhardy to so drastically curtail health-related activities such as water and sewer system development. The burden of budget-cutting should not be laid so heavily on the shoulders of a segment of the Nation's population which has such slim resources. The effect is to further reduce their opportunities to become self-sufficient.

This problem is serious enough, alone, to warrant mandating continuing a countryside-oriented water and sewer planning and development program. But, there is the even more serious question of an attack on Congressional authority to legislate.

When this program was enacted, Congress intended for it to operate until a future Congress—not the Executive Branch—determined that the need for it no longer existed, or for some other reason it should be terminated.

Whatever flexibility is built into the water and sewer program law was put there as an aid to efficient, and effective administration—not as authority for the Executive Branch to terminate the program.

As I have pointed out twice before this committee—in the last few weeks, the Congress must make clear to the Executive Branch that it will jealously guard, and responsibly exercise its constitutional duty to legislate. Passage of the bill which we consider today would be another clear indication of this intention.

For that reason, and because this is a program for which there is a great need, I urge that the committee act favorably on the proposal before us today.

Mr. WAMPLER. Mr. Chairman, I will have a statement ready at a later date and I ask unanimous consent to have it included as part of the record.

The CHAIRMAN. You mean at this point?

Mr. WAMPLER. Yes.

The CHAIRMAN. Yes; it will be included at this point, without objection.

(The statement of Mr. Wampler follows:)

STATEMENT OF HON. WILLIAM C. WAMPLER, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF VIRGINIA

Mr. Chairman, we all recognize that sound fiscal management requires periodic reappraisal of policies and programs to ascertain where and how we might reduce expenditures in order to realize a financial saving. When the operation to be managed is the huge monstrosity that the federal budget has become, common sense indicates that a general reduction in expenditures, across-the-board, would effect the same result with far less hardship, than to pick and choose vital categorical programs, thus creating chaos among certain segments of our people in a discriminatory manner. It seems to me that those who have the most catching up to do, are the ones being asked to impede their progress. Whenever the country is asked to "tighten its belt", it seems they too often reach for the farm belt.

I have been telling my constituents in the Ninth Congressional District of Virginia that their government was aware of their problems. I have been telling them for years that their contributions to the national economy were recognized and appreciated. I have been promising them help in meeting their basic needs, and I was proud of the good programs that this Committee on Agriculture has been able to steer through Congress in their behalf. Now many of them have been terminated, or cut to such an extent as to be ineffective. First it was the Rural Environmental Assistance Program, then the interest-subsidized housing program. The Rural Water and Waste Disposal Grant Program, the subject of these hearings, is even more important because few of our small rural communities could ever hope to raise the funds for such a project without government assistance.

In my district, our annual allotment of loan to grant under the Rural Water and Waste Disposal Grant Program has been roughly ten to one. We were allotted \$1 million in grants for fiscal year 1973, but were cut off at less than one-half of this when the program was terminated on January 8. I include as

part of the record with my testimony a list of the water, sewer, and solid waste projects funded by the Farmers Home Administration in the Ninth District of Virginia. The list includes projects in operation, projects under construction, projects approved but not closed, and applications on hand at the time the program was terminated. The small grants (\$340,000) tied to applications on hand reflect the attitude of uncertainty under which the Farmers Home Administration had to implement this program, even prior to the cut-off of grant funds.

The thinking that the Environmental Protection Agency and revenue sharing will fill the gap of the Farmers Home Administration and other grant programs is good theory, but it fails to understand the problems of the small rural communities of which the Ninth District has many. An example is a small community requesting a \$350,000 grant and a \$350,000 loan to solve a water problem where most of the wells were condemned. Revenue sharing for this locality was less than \$4,000.

I think it is evident that the program put together in the Ninth District (\$32 million in loans and grants, serving more than 19,000 families) can only be done by an agency like the Farmers Home Administration that operates at the grass roots level. This agency is in a position to tie its housing program of success with fixed hook-up fees.

Through fiscal year 1973 in Virginia, the Farmers Home Administration will have financed more than 20,000 homes at cost of more than \$300 million. Approximately 50 percent of these were interest credit loans which were also terminated January 8, 1973. It is fair to assume that 20 to 25 percent of these loans were made in the Ninth Congressional District. Undoubtedly the loss of interest credit housing loans eats at the heart of the major problem in rural Virginia and America. The President's "do for yourself" message has much merit; however, from a decent housing standpoint the hard working man, doing menial tasks, earning less than \$100 per week, cannot improve his living conditions unless his housing payments are interest-subsidized initially. Those who were able to do for themselves through educational or birth advantages have contributed to this problem by driving up incomes at the professional and unionized levels. Thus inflation affects everything the low income man must have.

Of all the programs the Farmers Home Administration administers, the water-sewer grant program and the interest credit housing program are the most visible programs for success in rural America. So many other things fall into place after these problems are solved!

The farmer and the small town community of rural America has always been more than willing to shoulder its share of the responsibility for a strong and solvent nation. Too often they are taken for granted and the people who have sought their livelihood in the metropolitan areas seldom give a serious thought to their dependence on the men who till the soil. But they must live too, and their needs must be met. Mr. Chairman, I urge favorable action by the Committee to restore the Rural Water and Waste Disposal Grant Program.

Ninth Congressional District Projects (Water, Sewer, Solid Waste) Funded by Farmers Home Administration (Cooperatively with EDA, ARC, EPA)

1. Projects in operation :

FHA loan-----	\$6, 185, 650
FHA grant-----	972, 630
Other grant-----	3, 537, 683
Total (serving 8,733 families)-----	<u>10, 695, 963</u>

2. Projects under construction :

FHA loan-----	2, 041, 700
FHA grant-----	782, 400
Other grant-----	2, 781, 100
Total (serving 2,917 families)-----	<u>5, 605, 200</u>

3. Projects approved but not closed :

FHA loan-----	6, 360, 410
FHA grant-----	879, 200
Other grant-----	3, 816, 985
Total (serving 5,910 families)-----	<u>11, 056, 595</u>

4. Applications on hand:

FHA loan.....	2, 753, 200
FHA grant.....	340, 000
Other grant.....	2, 039, 100

Total (serving 1,955 families).....	5, 132, 300
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Grant totals: (61 projects to serve 19,515 families)

FHA loans.....	17, 340, 860
FHA grants.....	2, 974, 230
Other grants.....	12, 174, 768

Total	32, 459, 858
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The CHAIRMAN. Our first witness will be Mr. Clell Carpenter, vice president and director of public affairs of the Midcontinent Farmers Association. We are always delighted to have Mr. Carpenter with us. He is an old friend who has been with us for a long time. We appreciate his contribution to agriculture.

We will be glad to hear from you, Mr. Carpenter.

**STATEMENT OF L. C. (CLELL) CARPENTER, VICE PRESIDENT AND
DIRECTOR OF PUBLIC AFFAIRS, MIDCONTINENT FARMERS
ASSOCIATION**

Mr. CARPENTER. Thank you, Mr. Chairman. I appreciate this opportunity. I appear here as representing 156,000 members in Missouri and surrounding States in behalf of the Midcontinent Farmers Association.

With your permission, Mr. Chairman, I will just read the statement, which is quite short.

The CHAIRMAN. Without objection, you certainly may read your statement.

Mr. CARPENTER. Mr. Chairman, I am here today speaking for the Midcontinent Farmers Association with headquarters in Columbia, Mo., and representing over 156,000 members in Missouri, Arkansas, Oklahoma, Kansas, Nebraska, Iowa, Illinois, and other adjacent States.

I appear here today in support of H.R. 3298 and related bills as an effective and necessary amendment to the Consolidated Farm and Rural Development Act. The change to be made is a simple one. It requires, rather than permits, that grant money appropriated by Congress for assistance to rural water and sewer associations be made available.

In some respects it is unfortunate that this amendment is required. Congress, in 1961, gave Farmers Home Administration the authority to make direct or insured loans to associations and not-for-profit corporations to improve and develop water systems. Then, in 1965, legislation was passed permitting FHA to make financial grants to rural water districts and small municipalities in order to make development of this important community service more economically sound. At the same time, provisions of the act were extended to include sewer construction and development.

Since that time, Congress has consistently appropriated grant money.

Obviously, additional legislation is needed. Specific language has become necessary if this act is to be carried out.

The need is occasioned by the increasingly independent and arbitrary posture assumed by the Office of Management and Budget. OMB has developed a habit of impounding or holding up funds for seriously needed rural programs.

Now, as evident by these rapid-fire moves to cut off a number of USDA programs, this habit has emerged as full-scale rebellion against the declared intent of Congress.

Farmers and their rural neighbors are caught in the crossfire. This causes agriculture a great deal of concern. The issue is not whether to provide some sort of free money to rural people. We are dealing with whether or not to continue helpful practices which affect rural progress. The invalid charges that farmers are now getting rich and thus do not need or deserve help, shows a complete lack of understanding about the real purpose of these programs. And, of course, this action assumes that OMB knows more about what is needed than does the Congress.

We have testified recently on the consequences of ending REAP, of halting FHA emergency loans and of weakening REA loan programs. We strongly support their reinstatement. To end programs that have proven effective and that continue to make vital contributions to national objectives is irresponsible. These USDA programs all have records of performance to prove they are producing benefits to the nation far in excess of their costs.

Specifically, it is ridiculous to contend that withholding the \$114-million grant moneys appropriated by Congress to develop high quality water and effective sewage disposal in farm and small town America is sound fiscal policy.

We assume developing strong, progressive rural communities is still a national objective. This indiscriminate impounding of funds, however, raises a question as to whether this administration is committed to this objective. Or, maybe those making administrative policy, choose to ignore their own announced policies. Studies and reports by the dozens, made in recent years by numerous Federal agencies, invariably point to the necessity of adequate community services—like dependable water and effective sewage disposal—as an essential first step to rural development.

I understand that the administration favors continuation of the insured loan feature of the rural water and sewer program—even recommends an increase in authorized lending.

Now, let us not kid ourselves. Without some grant money, the entire program will be severely restricted. There are many areas where, for the present, it is unrealistic to expect rural residents to incur sufficient indebtedness to construct these facilities and at the same time permit them to pay back their obligation in full.

In the past, small amounts of grant moneys have been used in these instances to permit construction. The aim here is to provide a way the Nation can help a little to get these services out in rural areas. Of course, this has immediate benefit to the people there. But, it also enhances these areas; the presence of these services encourages further development. This is in the best interest of the entire country.

In Missouri, a State where MFA has a large number of farmer-members, FHA-insured loans to water and sewer associations amounted to about \$13 million in fiscal 1972. About \$1.2 million in grants was used to help make these loans feasible.

This program has, in recent years, resulted in the construction of 165 water systems by rural districts and small towns in this one State. About 60 more are in some stage of construction. Applications are on hand from 36 rural water districts requesting total loans and grants of about \$15 million. Many more have applied.

Forty applications for construction of sewer systems in small towns are on hand in the Missouri FHA office. Virtually all will require grants if they are to be built. High construction costs for these systems—not only for today's demands, but also in realistic anticipation of desirable future growth—just cannot be met by these small town and farm people.

Not only do these grants permit rural people to furnish themselves with these essential community services, they also assure uniformly dependable and effective systems. FHA technicians and administrators are experienced in assisting rural people. Recommended construction technique and quality standards are well established. The sound advice and qualified technical assistance provided by FHA deserves much of the credit for the high success ratio of the systems built to date. Public moneys have been well spent on these programs.

Mr. Chairman, with your permission I again would like to relate some personal experiences I encountered as assistant supervisor and county supervisor for the old rural rehabilitation program during the thirties. It is my privilege to work directly with farm families during these trying times, and prior to my promotion to district supervisor and subsequently, to State director.

In the mid-1930's, the Congress made available a grant procedure to be extended to farm families in desperate need of money for food and clothing. I personally delivered hundreds of these small checks. Generally, the grant was associated with a loan to enable them to become a farmer and help themselves. Today, many of those people are the outstanding farmers in the Nation, and it took only a small amount of grant aid to help them to accomplish this status in life.

As you will note, the Missouri expenditure in this program last year indicated approximately \$12 in loans to \$1 in grants. We believe this to be a good investment.

As a farm organization, dedicated to representing the interests of our membership, we urge this committee to act favorably on H.R. 3298. It would certainly be false economy to allow this very popular and effective program of rural community service improvement to be crippled.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Carpenter. If you will wait around a few minutes, we will possibly have some questions.

Mr. CARPENTER. I will be glad to, sir, thank you.

The CHAIRMAN. We have now with us a gentleman, also from Missouri, Mr. James Farley, who is an attorney of Farley, Mo., and who represents 18 public water supply districts, three sewer districts, and several municipalities in northwest Missouri. Of those districts, 15 have water systems completed and the 16th is under construction. Mr. Farley's experience with the Farmers Home Administration water program dates back to 1962 when the program first came into use on a wide-spread basis in Missouri. As attorney for such districts, he had gained much experience in both the construction and operational phases of such districts.

He was active in the formation of the Missouri Water District Association and was the principal author of the State legislation recently enacted permitting consolidation of water districts. He probably represents more such districts than any other attorney in Missouri.

Congressman Litton was not able to be here this morning, but he does express his interest in Mr. Farley's appearance.

We are delighted to have you, Mr. Farley. We will be glad to hear from you.

**STATEMENT OF JAMES FARLEY, ESQ., ATTORNEY AT LAW,
FARLEY, MO.**

Mr. FARLEY. Thank you very much, Mr. Chairman. I want to express my appreciation for the opportunity of appearing before this committee. I have three statements that I think you have copies of. One is from Public Water Supply District No. 2 of Platte County, Mo. The other is from the Public Water Supply District No. 8, Clay County, Mo.; and the third is from the Public Water Supply District No. 3, I believe, of Ray County, Mo., all of which I represent. I am not going to read those statements this morning. I would like to ask the chairman's permission to put those into the record.

The CHAIRMAN. Let me ask, are those substantially the same statements?

Mr. FARLEY. Basically, they are, although the situation of each district differs, so while the conclusion is the same in each case, the factual situation differs and I delineated those factual situations. So that is why I ask permission to put each one of them in the record.

The CHAIRMAN. The chairman has to be concerned about the expense of this record, which costs us a good many hundred dollars a page.

Mr. FARLEY. I think the last half of the statement, Mr. Chairman, is probably the same, but I think the clerk could probably make a distinction and only incorporate the factual situations differently.

The CHAIRMAN. Without objection, we will insert all three of them. They do involve different facts, but I do want it understood that as we go along, we are going to try to reduce some of the tremendous printing cost that this committee has. This does cost us—I do not know just how much it does. It depends on the number of reports we put out, of course. But it is the biggest item of expense of this committee, printing these reports. Ofttimes, people bring the same thing up here and want it inserted in a good many places. The chairman is going to hold that we are not going to insert the same thing over and over. But if counsel tells us these are different statements, involving—

Mr. FARLEY. They are different situations, Mr. Chairman, in that one of them is a new district being built—two of them are new districts being built for the first time and another is an extension. They all involve, as I say, different factual situations, and while the latter part of the statement is identical, the first part does make a considerable amount of difference.

The CHAIRMAN. All right. Without objection, they will be inserted.

(The material referred to above was inserted in the files of the committee pursuant to a request by Mr. Teague. (See p. 13.)

Mr. FARLEY. Thank you, Mr. Chairman.

Mr. Chairman, I would like to express my appreciation for the opportunity of appearing here. I know of your personal interest in the rural water and sewer program and how instrumental you and your committee have been in furthering that program over the past 10 or 15 years. I want to express my appreciation, too, to my own Congressman, Mr. Litton, who has been very interested in this program throughout his campaign and now that he is in the Congress, he has certainly followed through on the things that he said in his campaign in support of this very vital program for northwest Missouri.

I do not think that any program since the inception of REA has had a more pronounced effect on rural America than the water and sewer program and particularly the rural water program. One of the biggest problems in northwest Missouri is the availability of an adequate, suitable supply of water for farm, rural residential, and business uses. Most Americans living in urban areas take their water supply for granted. Those of us that live in small towns and on farms in northwest Missouri have not been able to do this. It is difficult in this day and age, when the populations of our small towns and our farms are leaving to go to the city, to keep your young people in rural areas, much less attract any new industry and any new people. This becomes very difficult when you do not have an adequate water supply. No young housewife raised in the modern age is going to want to run a modern home or try to run a modern home with all of the water-consumption conveniences when it is just not available. So I think this program ties in directly with some of our urban programs in that if you make available some of the amenities of life, and I think water is one of the basic ones, you can do something to keep your people in the small towns and in the rural areas. It certainly allows you to attract some small business, some small industry. It allows you to further your farming operations and without this, large cattle operations are almost impossible to operate in some areas of northwest Missouri.

The chairman covered the termination of the authority of the Farmers Home Administration to make grants very well. I would like to point up some of the basic problems that those of us that are involved in the day-to-day operation of this program are now encountering as a result. I am here this morning because I have three districts who all need grants in order to make a water district feasible. Two of them, as I say, are in the initial stages of construction—in other words, they are constructing a system. The third one is attempting to enlarge its present system to include approximately three or four times the territory that it now includes and to serve an additional 250 users. None of these can get this done unless there is grant authority.

I think one thing that needs to be pointed out in connection with the termination of the grant authority is that the districts that could go only on loans have long ago been built. Of the 16 districts that have completed water systems or that are under construction—there are 15 completed and 1 under construction—the early ones were built with loan funds only before the grant program came along. The latter ones have nearly all been built with grant funds, because the feasibility was not there until the grant program provided the additional funds.

These districts that are now in trouble have all been applying and reapplying because they have been turned down from time to time over the years. These two or three districts, or I think these three districts

that I am here for today, started applying back in 1966, 1967. They have been rejected continuously since then. Then in early fiscal year 1972, about July, the Farmers Home Administration people advised us orally and just as a practical matter, before you get a letter of commitment, you usually talk to the State office and they will tell you, well, we are going to get to such-and-such a project that you represent this year. Well, they advised us orally that Platte No. 2 and Clay No. 8 was included. This is substantiated by a letter to Congressman Hull, which is attached to some of these statements which I filed this morning. It came from the State directors of the Farmers Home Administration and named these two projects as those to be included in grant funding for fiscal year 1973.

On the strength of this, we went ahead and did all of our preliminary engineering, started our right-of-way work, and each one of these districts is now in debt several thousand dollars, to say the least. Then we were told that the tentative commitment, the letter of tentative commitment, as it is called, would be forthcoming, and we did not receive it. But we did not become particularly alarmed, because there are administrative delays in getting these letters out, so we proceeded with our engineering, our right-of-way, and so forth.

We found out in retrospect that as of October 1, 1972, the State office had been advised to withhold any more grant commitments until January. Then in mid-January, we were advised that there would be no more grants provided by the Farmers Home Administration, that they still had loan authority but there would be no grants. Without grants, as I say, none of these projects can be built.

We asked what we should do and they said that we should perhaps look to in-State revenue sharing funds—Missouri revenue sharing funds—for grants. Now, there is no program in Missouri for grants to water districts at the present time. Looking at them very honestly, these districts are not politically significant enough, with some four or five hundred users in each district, to have much clout in the legislature and we do not have much hope of getting any grant funds. I am former State representative and looking at the cold turkey, I think we are just out in the cold unless this legislation that we are here for today is enacted.

This also has the effect of splitting the grant and the loan authority. In other words, the Farmers Home Administration would be handling the loan authority; the State agency, if one ever comes to exist in Missouri, would be handling the grant authority. This means more administrative red tape. It means more delay in coordinating these agencies, which might well-nigh be impossible.

As I alluded to earlier, there is no earmarking in any revenue-sharing funds for this program. In some States, you may see some funds for water and sewer systems; in another State, you may see none. In Missouri, frankly, we do not expect to see any. If, in fact, some of the States do come up with revenue-sharing funds, we do not know what kind of priority system they might develop, what districts would become eligible. Those that have waited for 6 or 7 years could very well lose their standing, because it would be a whole new ball game as far as administration and choosing what districts is concerned.

So they changed the rules in the fourth quarter and just when we thought we were about to get to the goal line. And we are asking you

gentlemen to favorably report this bill and change the rules back so that these rural people can get some water.

In fiscal year 1973, as has been stated, there was \$150 million appropriated by the Congress for grants. OMB permitted \$42 million to be spent, and in view of the action of the administration, probably not more than \$10 or \$12 million was actually spent over the country. In Missouri, most of the grant money still lies uncommitted because of the cutoff in January.

We recognize, as does everyone, that this Nation has fiscal problems facing it, but we do not think that this program is so significant that it is going to contribute to the inflation in this country. We recognize that there is an effort being made to balance the budget. This program was maintained all through the Vietnamese war, and we would hope that it can continue to be maintained now that this conflict is at an end. We have a balance-of-payments problem, but nearly all if not all of the products that go into water districts are domestically produced.

In conclusion, I would like to say this has been a good program. It has been a workable program the way it has been handled in the last 10 or 12 years. The Farmers Home Administration has a good deal of expertise and experience that they have gained through administering the program. They have come to be able to recognize problem situations; they have come up with a lot of answers. They work with rural people. They know what they are doing. Dollar for dollar, I think this has been one of the best investments that this Congress has ever made. I have seen it work. There is no fat here, gentlemen. This goes into water systems that are actually functioning, and I think that even in the case of grants, the loans are, by and large, being paid off in satisfactory fashion. We have very few districts that are in any serious trouble. And the grants, I think, will be repaid in the form of increased productivity of the land and the communities. It is an investment in rural America. I think it is a good one. I think you will get your money back, and I hope that you will pass this bill. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Farley. We wonder if you would stay with us until we have heard the other witnesses and then we will ask you questions.

Mr. TEAGUE. May I ask a question, first, Mr. Chairman.

The CHAIRMAN. Certainly.

Mr. TEAGUE. I wonder, Mr. Farley, if it might not be agreeable with you, rather than inserting in the printed transcript these three rather lengthy statements involving the problems of district No. 3 and district No. 8 and district No. 2, if we could not file them with the committee records, make them available to all of us, rather than printing them in the printed transcript? You have made a very complete and convincing argument here on the whole picture.

Mr. FARLEY. That would be perfectly satisfactory.

Mr. TEAGUE. It would save several thousands of dollars.

Mr. FARLEY. I would be most happy to do that. Just put it on the water program, would you, and send it back to Missouri. I would be most happy to do that.

The CHAIRMAN. Without objection, then, we will insert them in the files with the record.

(Documents referred to were made part of the record and may be found in the files of the committee.)

The CHAIRMAN. Thank you, Mr. Farley.

Now, our next witness is Mr. Lewis J. Johnson, president of the Arkansas Farmers Union.

Mr. Johnson, we are glad to have you with us. We are always glad to have you up here and we would be delighted to hear from you on this matter of water and sewer systems.

STATEMENT OF LEWIS J. JOHNSON, ARKANSAS FARMERS UNION

Mr. JOHNSON. Thank you, Mr. Chairman, members of the committee. It is always a pleasure to appear before this committee. Sometimes I wonder if we are able to tell you a whole lot. However, we appreciate the opportunity to come and appear before you.

I think probably in Arkansas, we are in greater need of this program than in any other State, Mr. Chairman. I hope you do not think I am bragging when I say that we need this program now because of the river development in Arkansas. As you know, we have just finished the Arkansas River from the Mississippi to Tulsa.

The CHAIRMAN. I flew over it last week.

Mr. JOHNSON. And Arkansas is on the move and H.R. 3298 is a program that we must have in Arkansas to continue to grow. Our population is growing.

I might tell you coon hides are worth a good price again in Arkansas. We may start hunting them as part of our income, Mr. Chairman.

The CHAIRMAN. I am glad to hear that about coon hides.

Mr. JOHNSON. As you know, we will also open up Blanchard Springs Cavern in April and it is larger, they tell me, than Carlsbad Caverns. This bill is not only for our rural areas, where we will have small industry move in and keep our population diversified and keep our income diversified—some from the farm, some from industry—because we have got to have water and sewerage to have industry come into our small communities, but we also have got to have it in the northern section of our State where our tourist trade is coming in. I guess we will have some 4 or 5 million tourists per year come through the northern section of Arkansas. So it is quite a crop with us. They used to say it is easier to pick tourists than it is to pick cotton, so we want to prepare for them, Mr. Chairman.

Now, let me give you an example of what is happening in Arkansas. You know, we have one of the best pollution control commissions—I think they call it the ecology commission now. It is about 18 years old and I served 14 years on it. For example, some of the work we have done with it, with the help of the Federal Government, has been to bring the Ouachita River back to a live river. It was dead all the way to the Louisiana line. Now the quality of water where it goes into Louisiana at Monroe is drinkable water. So we have done a lot of work with our pollution control in Arkansas in the past. We have a lot more to do in the future.

For example, we have 116 applications with Farmers Home Administration now for water and sewerage loans and grants. Eighty-four of them must have grants before they can possibly be processed. The whole amount of 116 would probably take \$40 million and we would have to have a minimum of \$10 million in grants to bring this about. Now, Mr. Chairman, we believe that the Farmers Home Administra-

tion is more rural oriented than the Ecology Department of Arkansas because we have found in our work, in our dealings with them, that from the top level down, they are more urban oriented than they are rural oriented. So if we are to continue our growth in Arkansas, we must have this capital investment because that is what it amounts to. It is a small investment, but it will be returned to the Government many times over. We must continue to improve our rural communities.

For example, several years ago one small community in Arkansas borrowed money from Farmers Home and put in a water system. There were 200 people there. Today there are 500 people there and they are trying to put in a sewerage system. They had gone to septic tanks. Well, we had a lot of rain and the septic tanks all floated to the top, the contents, and you know what kind of a health hazard that created. So this little town now has the potential—it is within 27 miles of Little Rock—to have some 7,000 people. But they have to have a sewer system. Now, they have made application with the ecology department. It is going to cost them \$380,000. The ecology department told them they could give them as much as 75 percent in grants if they had the money. But their money was so limited that they can only give them 40 percent in grants.

So what we are saying is this: We have too little and too late. And we think that long-range thinking is required. We have to develop our rural areas. Speaking for the National Farmers Union, I am sure this is true in other States, but we all can't move into Little Rock and we all can't come to Washington, D.C. And if we are going to have industry back out in our rural areas, if we are going to have tourists come through our country and stop and visit with us, we are going to have to have indoor facilities for the people—hot running and cold water and indoor toilets. The days of the old outhouse, Mr. Chairman, are gone. We can just talk and dream about it. I never did like it when it was there, to tell you the truth. I am almost tempted to tell you a story about it, but I will not at this time. But those days are gone.

So when we are talking to you about H.R. 3298, we are not talking about throwing away some money. We are talking about investing in rural America; that is what we are talking about.

Of course, I am just a little bit zealous of Arkansas. As you know, we are the champion watermelon growers in the world, 187 pounds is one of our accomplishments. But in Arkansas, we have to have this bill, this money, to continue to grow. And I want to say to you, the money you let us have to spend on the Arkansas River is going to return to you hundredfold. It is already developing. It is helping world trade. Japan is in there now and they are fixing to settle there and to assemble some of their parts or their equipment there and ship it all over the United States. It is going to help the balance of trade.

Now, this is what we are talking to you about; this is for America. And you cannot live in town with having a strong rural America. That is the picture I would like to get across to you. We have to keep rural America open. We have to have electricity, we have to have running water, we have to have a sewerage system. Our people demand it today and we live in an affluent society that demands it. We must have it for economical reasons in this country. It is part of the overall great development of this country.

And really, it is the last, I guess, undeveloped area of our country, our rural areas. We spend millions and millions in towns and we should. But the reason we say to you that Farmers Home Administration must handle this is because the Farmers Home Administration is rural oriented. I had the pleasure of working for them way back there, about 12 years ago. The ecology department, and we have one of the best in Arkansas, is not rural oriented. Our little towns of a thousand or 500 that should expand and grow and take care of our increasing population are not going to get any help if we do not have this bill, Mr. Chairman.

I want to thank you for the opportunity to appear before you support you 100 percent on H.R. 3298.

The CHAIRMAN. Thank you very much, Mr. Johnson. We hope you can stay with us a few minutes and we will probably have some questions.

Now, I want to forgive you for that rude remark about being growers of the largest watermelons in the world, because I represent Parker County, Tex., and we are right sure that we surpass that. But I do want to call your attention to what you said about picking these tourists.

You know, back in the olden days, when they did not call them tourists, but just said they were summer visitors, there was a little town up there above Hot Springs and every morning one of them would stand out in the yard and see a fellow driving a bunch of hogs past. In the afternoon, he would see that fellow come and drive the hogs in the other direction.

Finally one day he said, "Where are you taking those hogs?"

"Oh," he said, "I am taking them up on the mountain to eat the marsh."

He said, "Doesn't it take lots of time?"

He said, "Sure, it takes lots of time, but after all, what's time to a hog?" [Laughter.]

Well, thank you, Mr. Johnson.

Now, we have your cousin, Bizz, from California, who got detoured on the way getting over here.

We are delighted you got here, Congressman Johnson. We are delighted to hear from you. We had already agreed to insert your statement in the record, but we will be glad to hear you.

STATEMENT OF HON. HAROLD T. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. JOHNSON. Thank you, Mr. Chairman. I am sorry that I was a little late getting over here this morning, but I had some unexpected visitors come into the office and I had to stay there and take care of their needs prior to the opening of the House today that they are going to attend.

Mr. Chairman and members of the committee, I would ask that my statement be filed for the record.

The CHAIRMAN. We have already given that permission.

Mr. JOHNSON. Thank you.

I do want to come here in support of the legislation that is pending before your committee dealing with the Farmers Home Administration, especially as it relates to water and sewer developments. Repre-

senting a very populous State like California, I know there is still a need for this program. I have had the privilege to serve 20 of the 58 counties in the rural areas of California for the past 14 years. That has been somewhat reduced, but I still have 14 of the rural and mountain counties of California. As the gentleman who just left the stand here, our rural in California is developing fast now and we need new water and sewer facilities throughout the mountains.

It has been my experience in the last 10 years to have participated in this program and I find one thing, that the Farmers Home Administration has had some very fine administrative people. Mr. Smith, who has just left office, and Mr. Young, who carries this program on in the northern part of our State in California, did a wonderful job. We certainly need the planning and development grants along with the loans, because we can just not finance these projects that are necessary. We have to develop adequate water supplies. The minute we do that in the mountains, we find out that rain and the geology that we are dealing with there brings about a sewerage or a sanitary problem following the water installations, which is more costly to the people than the water bills. Therefore, these FHA programs in the way of grants and loans have been very, very helpful to our people in these small communities.

The terms of the loan, the repayment period, the interest we have been able to handle that and the local assessed valuations in these small communities, small cities—we have some very small cities and very small counties, very small community districts that are formed under State statutes—have taken advantage of this particular program. In revenue sharing, these small communities are not going to be able to participate and with the larger programs that are carried on by EPA, we are having a difficult time in meeting the major problems in California with the moneys that have been made available.

Therefore, I think it is very necessary that this committee consider favorably the legislation, H.R. 3298 and H.R. 3219, that is pending before this committee. I know of no program where there has been a greater return to the Federal Government and the people of the United States than this particular FHA program as it relates to water and sewer project assistance. The local people understand it, we have the expertise to do the job, we have no way now of financing the loans. Therefore, this program should be continued. Thank you, Mr. Chairman.

(The complete statement of Mr. Johnson follows:)

STATEMENT OF HON. HAROLD T. (BIZZ) JOHNSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CALIFORNIA

Mr. Chairman, I pledge my full support for the Committee's efforts to reinstate the planning and development grants in the water and waste disposal programs of the Farmers Home Administration. It is clear that legislation such as H.R. 3298 or H.R. 3219, which would require the Secretary of Agriculture to spend funds appropriated by Congress for this program, is necessary to meet the urgent needs of rural communities and to curb the Nixon administration's abuse of its discretionary powers.

The need for this program is as clear as the water it would clean up is polluted. The Council on Environmental Quality reported in 1970 that less than one-third of the nation's population was served by an adequate system of sewers and treatment plants. The importance of having an adequate water and sewer system was dramatically illustrated in my state in 1965 when an epidemic of water-borne diseases affected 18,000 people in Riverside.

The termination of this program left small rural communities without any feasible means of financing the systems they need. Small towns simply don't have the funds to pay for the costly, sophisticated equipment that is required. Local tax bases are too small, and property taxes are already as high as the people will tolerate. Even with the FHA grant program in effect, many of the small communities in my district were having an extremely difficult time trying to come up with the money for water and sewer systems.

Some of these towns are under orders from the State Water Quality Control Board to "cease and desist" discharging wastes into streams and rivers by certain dates. If they do not comply, these towns will be subject to fines of \$6,000 per day until they do comply. But they just do not have the resources with which to build the plants.

With the passage of the Federal Water Pollution Control Act Amendments of 1972 these small, rural communities felt hope for the first time. Indeed, the Nixon administration has suggested that the programs of the Environmental Protection Agency, as enlarged and revised in 1972, are an alternative to the FHA program. As an author of that legislation and a senior member of the committee that considered it in the House and in conference, I am well acquainted with the EPA programs and their viability as an alternative. They simply cannot meet the needs, specially since the Nixon administration has cut the water pollution program to about half of what it was intended to be under the law. The figures as they apply to California show how the EPA won't be able to meet the need.

The estimated needs and estimated funds available in California, in both EPA and State funds, for fiscal years 1973, 1974 and 1975. [All figures are in millions of dollars.]

	Fiscal year—		
	1973	1974	1975
Needs.....	585	675	858
Funds available.....	261	392	523
Unmet needs.....	324	383	335

There will be an estimated \$942 million in project applications that can't be funded over these three years.

As shocking as these figures are, Mr. Chairman, they don't tell the whole story. These figures were based on the EPA programs before they were enlarged by last year's water pollution bill, and when the project applications are in for the enlarged programs, a very significant increase will take place in the demands for these funds. A state official hazarded a guess that the amount of program funds applied for overall will double from this estimate in fiscal 1974 and 1975.

With the tremendous needs in our state (San Francisco alone has one project application pending with a total cost of about \$1 billion), small, rural communities are far down the list of priorities.

Furthermore, the cutback in the water pollution program means that, on a practical level, no EPA funds will be available for collections systems. It does no good in rural communities, where most people have septic tanks, to build a treatment plant without providing any way to get a collection system. This is the problem the Shasta Dam Public Utility District in my Congressional district, for one example, faces.

Even if small, rural communities could afford to borrow funds, and they can't because their bonding capacity isn't high enough, the FHA loan program could not fill the gap. In California, we have a backlog of project applications for FHA funds totaling \$6 million. In recent years, FHA has been spending about \$8 million per year in California with 80 percent of that going to financing sewer projects. After June 30th of this year, if the Nixon administration gets its way, there won't even be any loan funds available for sewer systems. The small towns of rural America will be left with no place to go for help in constructing the water and sewer systems they so desperately need.

The old saying is that "What they give with one hand, they take away with the other." The Nixon administration takes with both hands when it comes to water and waste treatment systems.

In general, Mr. Chairman, I agree that there should be flexibility in Federal programs so that they can be administered more easily and respond to sudden changes. This administration, however, has abused the discretionary power given it by the Congress. The Executive was given discretionary power to allow for some flexibility in administering these programs, not to terminate them.

This administration came to office on a law and order platform four years ago, and likes to talk a great deal about acting in a responsible manner. Yet, in the case of water and waste treatment systems, it is the administration which is violating at least the spirit of the law and irresponsibly cutting off aid to communities that need it. Instead of embarking on a wide-based effort to clean up our waters, it is conducting a comprehensive campaign to hobble that effort.

You and your committee, Mr. Chairman, are to be commended for your expeditious handling of this important legislation. Thank you.

The CHAIRMAN. Thank you, Congressman Johnson.

I believe that completes our list of witnesses today. Is there anyone else here who wants to be heard on this legislation?

[No response.]

The CHAIRMAN. If not, I will recall our guests who have testified this morning to gather at the table. We would like to question the group because you are all representing the same interests and we find that we can save a good deal of time by considering these issues in a group.

Now, are there any questions of any of these gentlemen?

Mr. Teague?

Mr. TEAGUE. No, thank you.

The CHAIRMAN. Mr. Stubblefield?

Mr. STUBBLEFIELD. No.

The CHAIRMAN. Mr. Wampler?

Mr. WAMPLER. Mr. Chairman, I would like to make a very brief observation concerning the statement you made earlier in opening the session this morning. I would like to quote, reading from the bottom of the third page, the last paragraph:

I know that we have been told that these needs will be met by the Environmental Protection Agency under the Federal Water Pollution Control Act. That program, we are told, will provide assistance in the form of grants for waste disposal systems, but the fact is that that agency is not providing a dime as of this time. No mention is made of grant funds for water systems.

Is this not a rather basic—I realize an elementary—observation that under modern techniques, you are not going to be able to build a sewerage disposal system unless you have a source of water. Is that not correct?

The CHAIRMAN. Yes.

Mr. WAMPLER. I understand that the EPA is not proposing to give any grant money whatever for water systems.

The CHAIRMAN. That is my understanding and I do not see how you can have a very effective sewer system without any water.

Mr. WAMPLER. That seems to me very basic and very elementary, but I think that ought to be in the record. This is what bothers me about it and I intend to make that observation as part of my statement.

I will be glad to hear any comment that any of these gentlemen may wish to make.

Mr. CARPENTER. I would comment on that that I think you are exactly right. I would like to emphasize what Mr. Farley said. I happened to work in the State legislature in Missouri, too.

Jim, I am in agreement with you that I just do not see in this revenue sharing any opportunity of rural Missouri participating in any of the revenue-sharing funds, particularly as it applies to water and sewer grants. It is just plain not in the picture. I know there are some people who talk about it, but talking about it and passing it are two different things.

The CHAIRMAN. Thank you, Mr. Carpenter. Mr. Vigorito?

Mr. VIGORITO. Thank you, Mr. Chairman. I do not have any questions, but I wish to make a statement that I am in full support of this bill, H.R. 3298, introduced by the chairman. It is vital that the work on water and sewer programs throughout the country move forward with all possible speed. You mentioned, Mr. Chairman, that there are thousands of communities that need this to be pretty exact, there are over 30,000 communities that can stand or need funds to work on water and sewer. If we are going to solve our pollution problems, this is the first step and a needed step that we need to take to solve both problems—that is, water and sewer for the consuming public and to combat pollution of our environment.

Thank you. That is all I have to say.

The CHAIRMAN. Thank you.

Mr. Goodling?

Mr. GOODLING. No questions, Mr. Chairman.

The CHAIRMAN. Judge Rarick?

Mr. RARICK. Thank you, Mr. Chairman.

Congressman Johnson, I noticed in your statement your comment about the situation facing many of your mayors in California—that is, the penal action threatened by EPA. In my district, I have Pearl River on one hand and the Mississippi River on the other, and some of my mayors have already received these 30-day, 60-day, and 80-day notices that if they do not get the sewerage treatment and lower the bacteria count, they are going to shut down the complete operation. I guess they will not be able to flush a stool or turn on a water tap. Yet while EPA is threatening all of these local leaders, national leaders would deny them the financing necessary to satisfy Federal requirements. I believe this is the situation you are reporting to us, is it not?

Mr. HAROLD (BIZZ) JOHNSON. Yes, we have a lot of reports that have been issued already and they have been given a time certain. And without some sort of funding from the Federal Government or from the State government such as we have in California to assist, these little communities are never going to be able to comply. That means that at the present time, many of them have halted all of their development within their communities whereby there is no building permit being issued whatsoever. They are held in abeyance at the present time due to the pollution situation that is there now. There is very little money in the EPA funds that have been allocated. To me all of these needs—there is just not enough money to go around. And these little communities that this particular program relates to, I do not think, will be able to get very much in the way of consideration or a priority, because as the gentleman from Virginia, Mr. Wampler, stated, there is no money in this for water development. This is to clean up the pollution that is found there at the present time and the many localities throughout the United States far exceed the amount of money that is going to be made available.

This little program has worked very well for the smaller communities in developing their water needs and, at the same time, developing their sanitary needs along with it.

Mr. RARICK. I might amplify that the revenue sharing program which many of the larger city mayors found was quite a bonanza, these small communities found out that they were not included and had to go through the county, or as we call them in Louisiana, the parish commission. They are begging for financial relief from the threatened action by the Federal Government.

Mr. HAROLD (BIZZ) JOHNSON. We have that same situation in our State and I imagine throughout the Nation.

Mr. RARICK. We hear a lot these days about priorities. Would it be safe to say that you agree with some of us who feel that helping rural America with programs such as water and sewerage should receive a higher priority than aid to rebuild North Vietnam?

Mr. HAROLD (BIZZ) JOHNSON. Well, I would say that the needs of our rural America and the small communities in the United States are badly in need of help and assistance and I would put them well up on the list of priorities, prior to some of the other programs that are being considered and asked for now, some of it from—as far as the foreign aid program is concerned, I could say that we should shut down on many of these programs and clean up our own rural America. Anyone who travels around into rural America, I am sure, can find need for a great many new projects or developments that would be given a very high priority. You do not have to go very far.

You can take this community here, any one of our States, and the minute you get outside of urbanized America, you find these problems, believe me.

Mr. RARICK. Would you agree, then, we do have some damaged areas in the United States that need to be rebuilt or refurbished and we ought to help our own people first?

Mr. HAROLD (BIZZ) JOHNSON. That is true.

Mr. RARICK. Thank you, Mr. Chairman.

Mr. FARLEY. Mr. Chairman, may I make a comment here in response to the Congressman's observation?

The CHAIRMAN. Surely.

Mr. FARLEY. I was called—oh, it has been a couple of years ago—by some people in a little community called Denver, Mo. It is in Worth County, which now has a population of about 3,000 people. Denver, Mo., consists of a grocery store, a post office, and the rest of it is warehousing of a big appliance dealer who sells all over northwest Missouri and as businesses have dropped out—it is located on a town square situation. As businesses have dropped out of existence, he buys the old buildings and uses them to warehouse his appliances, and so forth. It is a wholesale appliance operation.

That is about all that is left there. What they propose to do is tie several little communities like Gentry and Denver and some of these rural areas together and try to get a water system in there. The population age, I suspect, is probably in the high fifties, the average age, or maybe in the sixties. There are few young people left. But what they are trying to do in northern Missouri is to save some of these communities and keep some young people there. But if they do not get a water system, they are not going to do it and if they do not get grant money, they are not going to get a water system. In fact, we are having

trouble even finding a supply. The city of Albany and the city of Grant City is going to have to get a better supply and that is probably going to take a grant. This is exactly what the Congressman is referring to.

I had a personal experience. It is very vivid. When you go through north Missouri at night, the only thing that keeps you awake is the long haul trucks on the highway, because there is surely not much traffic there anymore. This is part of Congressman Litton's district. That area is literally gasping for survival. This is what we are talking about today, whether that type of rural America survives or is put out to be a wasteland.

The CHAIRMAN. Thank you.

Mr. Sebelius?

Mr. SEBELIUS. I have no questions, Mr. Chairman. I do favor this legislation and hope that we can get it out of committee pretty soon.

The CHAIRMAN. Thank you, sir.

Mr. Jones?

Mr. JONES of Tennessee. Thank you, Mr. Chairman. I have no statements or questions at this point. I do want it to be known in the record that I am in complete agreement with the testimony that has been made here today and I am in support of H.R. 3298. I would like to have, Mr. Chairman, permission to insert in the record a statement, along with the members of the committee.

The CHAIRMAN. Without objection.

(The above referred to statement follows:)

STATEMENT OF HON. ED JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. Chairman, last year when Congress passed the Rural Development Act of 1972, members of this committee almost unanimously made public statements to the effect that it was probably the most significant legislation to be considered by the House Agriculture Committee during the past several years. Broad authority and responsibility was given to the Secretary of Agriculture in an effort to create an organized approach to the development of Rural America. Well, to put it bluntly, the Secretary accepted the authority, but is ignoring his responsibility.

No phase of rural development is more important than providing sanitary water and waste disposal systems. Yet, on January 1st, FHA water and waste disposal grants were terminated. This action flatly defies the intent of Congress which voted 339 to 36 in favor of the Rural Development Act.

I find one statement in Secretary Campbell's testimony particularly disconcerting. He said, "A survey of water and sewer facility needs conducted by County Supervisors of the Farmers Home Administration in 1969 indicated that many of the communities needing new or improved water systems or sanitary sewage systems require little Federal assistance. Many will need no grant at all."

I wish the Secretary would go through my files. He would find overwhelming evidence that the results of his survey were incorrect.

Dr. Dan E. Chevalia, an alderman of Dyer, Tennessee, wrote me in 1971. He said, "The situation is urgent here, and many of us ran for the board wanting to do something about it. We have places where the sewage is actually running down in ditches."

The corporation of Gates, Tennessee, has been trying for several years to build a sewage system. When I visited Gates, I saw the sewage in the streets and subsequently the health department put a moratorium on building new homes until the sewage situation was settled. Yet, the Economic Development Administration turned down the Gates request because "the project would have insufficient economic impact."

The Farmers Home Administration is ready to do their share, but says, "Our ability to assist the Corporation will depend on funds from the Environmental Protection Agency being available."

EPA continues to give Gates a bureaucratic runaround with little indication that they understand the gravity of the situation.

Still, the Administration wants to turn all these projects over to EPA. In order to avoid just that step, Congress increased FHA funding for these projects threefold in the rural development bill. FHA has been the one federal agency that has maintained the respect of rural people. This is because FHA gets results. There is no assurance that EPA can operate in this manner in rural areas.

I am concerned that rural development of this type would be lost in the shuffle over at EPA. They have enough serious environmental problems with which to deal without adding this burden. It is my hope that Congress will demand that FHA be allowed to continue making grants in an area where they have proven their ability.

The CHAIRMAN. Mr. Symms?

Mr. SYMMS. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Denholm?

Mr. DENHOLM. Thank you, Mr. Chairman.

May the record show that I support the reinstatement of the program and I intend to vote for H.R. 3298.

I thank all the gentlemen for excellent statement. I am from an upper Midwestern rural State where the rural associations are becoming organized. I ask any of the witnesses on the panel to respond as to the results of programs in progress in your respective States. The thought occurs to me that there is a compelling need for planning, professional expertise and surveying. An important part of the program provides for planning. I wonder if your experience in planning and surveying for water and sewer development in your rural communities is not of great value as opposed to the idea of each community going it on its own—particularly in your area, Congressman Johnson, where there are rather remote areas. If each community was to proceed without the technical expertise and counsel of the men trained in engineering, planning, and surveying—would you not run into problems in the future by overlapping and possibly incur a greater cost than if it were done in an orderly fashion?

Mr. HAROLD (BIZZ) JOHNSON. That is true, but there are many areas where if you tried to put them all into a regional development or system, you would never get the job done, for the simple reason that it is fairly controversial to create these regional operations. In many cases such as my district, we have some of that going on at the present time, but in the smaller communities, they are so isolated that it would be hard to do. But the moneys that are made available through the grants for the planning do a pretty good job. I want to say I suppose your State has passed all sorts of enabling legislation to allow these districts to form. But one thing, when you upgrade the water and sewerage facilities, you have to have the financial support for the operation and maintenance, because these new facilities are much more costly to operate and meet today's standards than the old type facilities. Therefore, if you are given the grant and the loan and the long period of time for repayment with 5 percent interest, you can afford to hire these people and pay for your maintenance and operation and make these facilities available to the community at a cost they can afford to pay.

Mr. DENHOLM. I am confident that there has to be some planning in small communities. Where there exists a legal entity such as a small

town or subdivision. I suppose the planning is not as urgently required. But what of the rural areas, in the county programs of water and sewer development? What kind of disposal system do you anticipate for 100 farmers in a rural area of a county?

Mr. HAROLD (BIZZ) JOHNSON. Well, that would be a rather difficult area to serve. We have some of those at the present time that are pretty well scattered. Then somewhere along the line, we will put in a treatment plant to take care of three or four of the smaller plants after it is given primary treatment and secondary, and then run into a final treatment plant. But these are very costly developments and the planning there is a pretty good-sized obligation, too, for engineering and design and engineering and planning. It takes a considerable amount of money.

Now, every State in the Union, I would say, is faced with this if you are going to meet the standards as called for in the new Water Pollution Control Act. The guidelines set down in any program, were this to come back into being, say you were successful in promoting and passing this legislation, making these funds available again, this would probably all have to be cleared through EPA to make sure that you are going to comply with the standards that are called for in the act. Then you would have to meet your other planning requirements within your own State and your own community.

Mr. DENHOLM. The essential need for overall planning is apparently as urgent or greater now than it has ever been.

Mr. HAROLD (BIZZ) JOHNSON. Well, yes, it is.

Mr. FARLEY. Congressman, may I respond from a bit of personal experience?

When you make an application for a loan and grant, the first thing that you do is you file for an A-95 Review, which is a review by the planning agency in charge of the area in which the project is located. Now, in Missouri, we have regional planning commissions covering the entire State. And let's say that we have in the bi-State, which would be the Buchanan County-Clinton County area, a project there. We would file an A-95 Review with that agency and they would also send it to the Department of Community Affairs in Jefferson City, which reviews the application. This is sent to the State highway commission and various and sundry other agencies that might have an interest in the project, either a sewer or a water project. They make their comments. Both the State and the regional planning commission make their comments and forward these to the Farmers Home Administration, when we file our 101, which is an application for a loan and/or grant funds.

What the Farmers Home Administration ordinarily requires is a statement that it is compatible with present planning standards in that area, et cetera. So the planning people do get a look at it and the Farmers Home Administration ordinarily requires their approval unless it is an unreasonable type thing. I have never seen one go through without approval.

I have one situation where an agency, because of an internal situation within a county, refused to review one for the Farmers Home Administration. They said, well, if they won't review it, we will make up our own mind. But that was a very unusual thing.

So the planning people are getting a look at these and all of these

projects have to comply with the planning standards as set forth by the regional planning people and the State planning people.

Mr. DENHOLM. Would you agree with Congressman Johnson, then, that the need for overall planning is greater now than it has been in the past?

Mr. FARLEY. It certainly is in view of the different agencies involved and we feel that we are getting this overall planning in this program. And the Farmers Home Administration is cognizant of this, has worked with it. If you, on the other hand, if you fragment this program into 50 different agencies, the grant program into 50 different agencies and 50 different States, it is going to make the planning process much more difficult to work with. I happen to be a member of the Mid-America Regional Council. That is the Kansas City area. It is in a three-county area on the Kansas side and five counties in Missouri. I am one of two Platte County representatives. I am chairman of the Utilities Subcommittee of the Mid-America Regional Council. So I am somewhat familiar with how these things actually work. I would hope that we could get this back in the hands of the Farmers Home Administration. They are familiar with these procedures and they are, of course, aware of the needed plan. What you are saying, they followed these principles.

The CHAIRMAN. I am sorry, but your 5 minutes is up.

Mr. DENHOLM. Thank you very much.

The CHAIRMAN. Mr. Gunter?

Mr. GUNTER. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Jones?

Mr. JONES of North Carolina. Mr. Chairman, I do not have any questions, except I would like to associate myself with you in the pro-motion and the final passage of this bill and perhaps comment to Mr. Denholm's concern.

In my area, the planning, I think, is satisfactory and very thorough from several different levels, which have already been mentioned. As far as I am concerned, if we pass this bill, the planning is of no concern to me whatsoever. I think the point is to get this program back in operation.

The CHAIRMAN. Thank you, Mr. Jones.

Are there any other questions, or are there any other witnesses who care to be heard?

(No response.)

The CHAIRMAN. If not, we are very much obliged to you gentlemen who have been with us. We appreciate your attendance.

We are going to have hearings here next week on rural electrification. I know there is going to be some discussion on that one. Any of you who are interested, we are inviting you now to attend. The committee will stand adjourned at this point.

(Whereupon, at 11:15 a.m., the committee recessed, to reconvene at 10 a.m., Tuesday, February 20, 1973.)

RESTORE RURAL WATER AND WASTE DISPOSAL GRANT PROGRAMS

TUESDAY, FEBRUARY 20, 1973

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met, pursuant to call, at 10 a.m., in room 1301, Longworth House Office Building, Hon. W. R. Poage (chairman) presiding.

Present: Representatives Poage, Stubblefield, Vigorito, Jones of North Carolina, Rarick, Jones of Tennessee, Melcher, Mathis, Bergland, Denholm, Matsunaga, Brown, Bowen, Rose, Litton, Gunter, Teague, Wampler, Goodling, Mathias, Zwach, Sebelius, Mizell, Findley, Baker, Thone, Symms, and Madigan.

Also present: Christine S. Gallagher, chief clerk; John O'Neal, general counsel; and Hyde H. Murray, associate counsel.

The CHAIRMAN. The committee will please be in order.

We are continuing the discussion of the legislation to restore rural water and sewer grant programs.

The witness today is the Honorable Phil Campbell, the Under Secretary of Agriculture. I believe Mr. Campbell has with him his lawyer, Mr. Knebel, and Mr. Joe Hanson. We are glad to have you here and we will be happy to hear from you.

STATEMENT OF HON. PHIL CAMPBELL, UNDER SECRETARY OF AGRICULTURE, ACCOMPANIED BY JOHN A. KNEBEL, GENERAL COUNSEL, AND J. R. HANSON, ACTING DEPUTY ADMINISTRATOR, FARMERS HOME ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. CAMPBELL. Thank you, Mr. Chairman. I have a statement which I will read, and also a page from the Federal Register which I would like to have included in my testimony at the end of my statement, which gives in tabular form certain data which I will mention.

The CHAIRMAN. Without objection, that will be included.

Mr. CAMPBELL. I appreciate the opportunity to appear before you, Mr. Chairman and members of the committee, to discuss H.R. 3298, a bill to restore the rural water and sewer grant program under the Consolidated Farm and Rural Development Act. I believe the issue before us today is not the need for such assistance, but rather the manner of the delivery of assistance.

You may already have seen the written response of the Department of Agriculture to your request for comments on H.R. 3298. If so, you know that our response recommended against passage of that particular bill.

In 1965, the Congress passed into law what we in the Department have come to call the Poage-Aiken Act. This law authorized the Secretary of Agriculture to make grants for both water and waste disposal systems, loans for waste disposal, and grants for comprehensive area long-range water and sewer planning.

Since the enactment of that act, the Department's Farmers Home Administration has made 8,544 loans totaling \$1,619,798,000, and 3,363 grants totaling \$243,300,000. These loan and grant funds have been used to assist about 1,250,000 families to obtain needed water and waste facilities. Further, the Farmers Home Administration has made 1,869 grants totaling \$22,727,885 for long-range comprehensive area water and sewer plans.

The grant part of the FHA sewer and water programs were among those selected for termination after a review of Federal programs to identify those that overlap with other Federal programs and, therefore, are of low priority.

Programs pertaining to waste treatment systems now are coordinated under the Environmental Protection Agency, as a result of the Clean Water Act which the Congress so strongly supported. Under this act a community may get a 75-percent grant whereas under the FHA grant program a community was limited to an amount not to exceed 50 percent of the cost of construction. The EPA is able to deliver grant funds to States in block fashion which enables State and local communities to appraise their problems and determine priorities for their use, so these funds may be spent more in keeping with local needs and subject to local decisionmaking. To continue the FHA grant program would be a duplication of Federal funding for these purposes.

Similarly, grants for water systems may be made from shared revenue funds if States and communities decide this is the most appropriate use of such funds.

A survey of water and sewer facility needs, conducted by county supervisors of the Farmers Home Administration in 1969 indicated that many of the communities needing new or improved water systems or sanitary sewerage systems require little Federal assistance. Many will need no grant at all.

Farmers Home Administration will continue the water loan program for those communities unable to obtain the necessary financing to repair or develop urgently needed facilities.

So, again the new approach seems more in keeping with the current desires of the people in limiting Government expenditures, returning to State and local people and governing bodies a greater role in the establishment of their own priorities and selection of programs which only they can decide are in their best interests.

The Administration and the Department of Agriculture have a firm commitment to rural development and to maintaining a high level of net farm income. Net farm income, in 1972, set a new record of \$19 billion; rural America is thriving; business in rural communities is growing as a result of this high income; and people in these communities have the wherewithal and the desire to make these spending decisions for themselves.

Farmers tell us that they welcome cuts in Government spending, that they want cuts in all areas of Government, they want inflation

brought to heel and they don't want further increases in taxes at any level of Government. Farmers as property owners, with sometimes thin returns on invested capital are especially vulnerable to tax increases. This legislation is not in keeping with the clearly expressed desires of farmers and other rural people.

Mr. Chairman, the sheet that I asked to be included in the record is a breakdown by State, by individual State, of the Environmental Protection Agency funding, for this fiscal year and for next fiscal year, with an average of \$40 million per State for this year, an average of \$60 million per State for next year for treatment plants and facilities for those particular States. The Environmental Protection Agency has been making grants to rural communities, as the Farmers Home Administration has, and they have in the last year or two made grants to about half as many rural communities as the Farmers Home Administration has made. But this increased funding which is, in effect, this year and next year—going from \$2 billion this year to \$3 billion next year—does give an opportunity for increased funding on the Environmental Protection Agency at a 75-percent rate rather than a 50-percent rate, which we are limited to by law under the Farmers Home Administration. So we really think that rural communities are in a better condition under the Environmental Protection Agency than under the present Farmers Home Administration law because we find that many of these small communities are not able to go forward with treatment plants in their system with only a 50-percent grant, particularly the smaller communities.

Of course, this does have to be worked in with your individual State on a priority list with regard to the total problems in that State, and we feel as though, according to past experience, these communities will be in a better position under this new approach.

I will be happy to answer questions, Mr. Chairman.

(The above-referred to document follows:)

[Federal Register, vol. 37, No. 237—Friday, Dec. 8, 1972]

SUBPART D—GRANTS FOR CONSTRUCTION OF TREATMENT WORKS—FEDERAL WATER POLLUTION CONTROL ACT AMENDMENTS OF 1972

(a) The Administrator shall allot among the States, funds authorized to be appropriated pursuant to section 207, in the ratio that the estimated cost of constructing all needed publicly owned treatment works in each State bears to the estimated cost of construction of all needed publicly owned treatment works in all of the States. For fiscal years ending June 30, 1973, and June 30, 1974, sums not to exceed \$2 billion and \$3 billion, respectively, have been determined to be the actual amounts authorized to be appropriated within the corresponding maximum amounts specified in section 207 and will be allotted on a ratio determined on the basis of Table III of House Public Works Committee Print No. 92-50. Computation of a State's ratio shall be carried out to the nearest ten-thousandth percent (0.0001 percent) and allotted amounts will be rounded to the nearest thousand dollars. The applicable percentages to be used in computing State allotments for fiscal years 1973 and 1974 are as follows:

State	Percentage
Alabama	0.3612
Alaska	.2252
Arizona	.1346
Arkansas	.3536
California	9.8176
Colorado	.3166
Connecticut	1.6810
Delaware	.6565
District of Columbia	.7114
Florida	3.6264
Georgia	.9730
Hawaii	.3303
Idaho	.2177
Illinois	6.2489
Indiana	3.3662
Iowa	1.1557
Kansas	.3742
Kentucky	.6599
Louisiana	.9428
Maine	.9675
Maryland	4.2582
Massachusetts	3.7576
Michigan	7.9814
Minnesota	2.0319
Mississippi	.3935
Missouri	1.6556
Montana	.1662
Nebraska	.3708
Nevada	.2877
New Hampshire	.8309
New Jersey	7.7040
New Mexico	.2108
New York	11.0578
North Carolina	.9229
North Dakota	.0467
Ohio	5.7737
Oklahoma	.4608
Oregon	.8494
Pennsylvania	5.4214
Rhode Island	.4889
South Carolina	.6455
South Dakota	.0948
Tennessee	1.1605
Texas	2.7694
Utah	.1408
Vermont	.2218
Virginia	2.9143
Washington	.8906
West Virginia	.4999
Wisconsin	1.7415
Wyoming	.0268
Guam	.0872
Puerto Rico	.8845
Virgin Islands	.0893
American Samoa	.0048
Trust Territory of Pacific	.0378

(b) Based upon the applicable percentages, the sums allotted to the States for fiscal years 1973 and 1974 are as follows:

State	Fiscal year 1973	Fiscal year 1974	State	Fiscal year 1973	Fiscal year 1974
Alabama	\$7,224,000	\$10,836,000	New Jersey	\$154,080,000	\$231,120,000
Alaska	4,504,000	6,756,000	New Mexico	4,216,000	6,324,000
Arizona	2,692,000	4,638,000	New York	221,156,000	331,734,000
Arkansas	7,072,000	10,608,000	North Carolina	18,458,000	27,687,000
California	126,352,000	294,528,000	North Dakota	934,000	1,401,000
Colorado	6,332,000	9,498,000	Ohio	115,474,000	173,211,000
Connecticut	33,620,000	50,430,000	Oklahoma	9,216,000	13,824,000
Delaware	13,130,000	19,695,000	Oregon	16,988,000	25,482,000
District of Columbia	14,228,000	21,342,000	Pennsylvania	108,428,000	162,642,000
Florida	72,528,000	108,792,000	Rhode Island	9,778,000	14,667,000
Georgia	19,460,000	29,190,000	South Carolina	12,910,000	19,365,000
Hawaii	6,606,000	9,909,000	South Dakota	1,896,000	2,844,000
Idaho	4,354,000	6,531,000	Tennessee	23,210,000	34,815,000
Illinois	124,978,000	187,467,000	Texas	55,388,000	83,082,000
Indiana	67,324,000	100,986,000	Utah	2,816,000	4,224,000
Iowa	23,114,000	34,671,000	Vermont	4,436,000	6,654,000
Kansas	7,484,000	11,226,000	Virginia	58,286,000	87,429,000
Kentucky	13,198,000	19,797,000	Washington	17,812,000	26,718,000
Louisiana	18,856,000	28,289,000	West Virginia	9,998,000	14,997,000
Maine	19,350,000	29,025,000	Wisconsin	34,830,000	52,245,000
Maryland	85,164,000	127,746,000	Wyoming	536,000	804,000
Massachusetts	75,152,000	112,728,000	Guam	1,744,000	2,616,000
Michigan	159,628,000	239,442,000	Puerto Rico	17,690,000	26,535,000
Minnesota	40,638,000	60,957,000	Virgin Islands	1,786,000	2,679,000
Mississippi	7,870,000	11,805,000	American Samoa	96,000	144,000
Missouri	33,112,000	49,668,000	Trust Territory of Pacific	756,000	1,134,000
Montana	3,324,000	4,986,000			
Nebraska	7,416,000	11,124,000			
Nevada	5,754,000	8,631,000			
New Hampshire	16,618,000	24,927,000	Total	2,000,009,000	3,000,000,000

(c) Allotments for fiscal years which begin after the fiscal year ending June 30, 1974, shall be made only in accordance with a revised cost estimate required to be submitted to and approved by Congress.

(d) Allotments shall be made not later than the January first preceding the beginning of the fiscal year for which authorized, except for the allotment for fiscal year 1973 which is made herein.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Mr. Litton, do you have any questions?

Mr. LITTON. Yes.

I noticed the last statement in your presentation said this legislation is not in keeping with the desires of farmers and other rural people. I just spent a week in the country and that is not what they tell me. They are very, very disturbed that this program is being done away with. Are you convinced and can you assure us that once we shift over to EPA, we are going to be able to move ahead with the intent of the Congress last year and last session?

Mr. CAMPBELL. Yes; I am, because the Environmental Protection Agency already has been making grants in half as many rural communities as the Farmers Home Administration, and with the 75 percent feature rather than the 50 percent feature and the \$2 billion this year and the \$3 billion next fiscal year, we are convinced that there will be more grant money available to the rural communities than ever before.

Mr. LITTON. One of the reasons you want to make the shift is because you think we need more money in rural water and not less?

Mr. CAMPBELL. We do not think there should be duplication of agencies handling the program. There is a great desire today to get away from duplication and get the same programs in the same place. As it has been in the past, these communities will come to Washington, they will go to four or five different agencies and four or five different departments and when they go back home, they have no idea of the

success of their venture in Washington, D.C. Then they must call on some Congressman's office or some Senator's office to put an aide in charge of scurrying around to find out what happened to them. We think they can get the answer much more quickly going to one office rather than many offices.

Mr. LITTON. That is all very well, but my question was, Do you think we need more or less money for rural water?

Mr. CAMPBELL. We need more and we have more under this program because of the \$2 billion for this year and \$3 billion for next year. That is a 50-percent increase. That is more money.

Mr. LITTON. Then your response is we do need more money for rural water?

Mr. CAMPBELL. For rural water?

Mr. LITTON. Yes.

Mr. CAMPBELL. This subject is not water, but the treatment plants and sewers. As far as water is concerned, the Farmers Home Administration has, most of the times, had very little grant money there. They have had the loan program and there is very little change there. We are continuing the loan program on water. We need to continue that program; yes.

Mr. HANSON. That's correct.

Mr. CAMPBELL. I am sorry I misunderstood your question.

The CHAIRMAN. Thank you, Mr. Litton.

Mr. Symms?

Mr. SYMMS. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Rose?

Mr. ROSE. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Thone?

Mr. THONE. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Brown?

Mr. BROWN. Mr. Campbell, I noted in looking at yesterday's testimony that Congressman Johnson of California testified about some unmet needs in California, in which he stated that for the fiscal years 1973, 1974, and 1975, there was approximately \$942 million in project applications for water pollution projects that could not be funded under the funds available from the EPA. You have mentioned the figures of \$2 and \$3 billion, but actually, those represent about a 50-percent cut from what Congress appropriated. Do you still feel that there is going to be adequate funds for all of the applications that will be submitted?

Mr. CAMPBELL. No, sir; I do not think that. I do not think that there will be enough funds on a 12-month basis for all the applications and I do not believe that any Member of Congress had any idea that all applications and all needs could be met in a 12-month period. That would be an astronomical figure. This has to be done over a period of time and not in 12 months.

Mr. BROWN. Well, I am giving you figures for the current and next 2 fiscal years.

Mr. CAMPBELL. Well, under the EPA, in California, reading from this table, during this fiscal year, there will be \$196,352,000, and in California in the next fiscal year, \$294,528,000. This is the level of funding for the State of California.

Mr. BROWN. Yes, but the needs for these 2 years in the table that I have before me are \$585 million for fiscal year 1973 and \$675 million

for fiscal 1974. Now, there is a large gap here, and in response to that large gap, the EPA has cut their funding in half and you are eliminating funding.

Mr. CAMPBELL. My answer to that would be that it depends on how much red ink you want to run the Federal Government into to get instant solutions to all problems at one time. Our judgment is that this should be done over a period of time and not attempt to solve all that problem at once. The priorities on these projects, of course, will be determined by the government of the State of California and the most serious ones attacked first. That is the amount on which the Environmental Protection Agency has laid down the guidelines to be made by the States. The list will be made by the State governments and not someone here in Washington, D.C., as to the priority of those projects.

Mr. BROWN. It seems to me that what you are saying is that the priority of the executive branch is a little different from the priority of the Congress in this situation; is that right?

Mr. CAMPBELL. When you are speaking of overall red ink, that must be true, because we feel as though the expenditure should be held to \$250 billion.

Mr. BROWN. Thank you.

I have no further questions.

The CHAIRMAN. Thank you, Mr. Brown.

Mr. Sebelius?

Mr. SEBELIUS. Thank you, Mr. Chairman.

Mr. Campbell, as I have gathered from the statement, and I am sorry I missed a couple of minutes there, you say, "Similarly, grants for water systems may be made from shared revenue funds if States and communities decide this is the most appropriate use of such funds." That is fine. It follows up the idea of revenue sharing. However, yesterday, in testimony that we had from the other witnesses, the big fear was that in most of our States, the urban people now outnumber the rural and therefore, the rural will not get any of this revenue-sharing money.

Mr. CAMPBELL. Well, we really do not stress the revenue sharing. We stress the actual amount of money allocated in this table which I have before me which I asked to be inserted in the record, which is \$2 billion this year and \$3 billion next year, which is an average of \$40 million per State this year and \$60 million next year. The Environmental Protection Agency for the last year or two has granted money to half as many small rural projects as has the Farmers Home Administration. With Farmers Home having an average of less than a million dollars per State, and the Environmental Protection Agency having an average this year of \$40 million and next year \$60 million per State, I am convinced, according to their past operation, that the rural boys will get their share.

Mr. SEBELIUS. I appreciate all that and I do not mind eliminating the duplication in the sewer field, but I do not find any duplication in the water field.

Mr. CAMPBELL. Well, in water, it had very little grant money. We are continuing the loan program. There is no change there. The FHA is continuing its water loan program.

Mr. SEBELIUS. I appreciate that also and we have a very good administrator in our State and he is fighting like heck to keep us going. I have places out in Kansas where our water consumers are a mile or

a mile and a half apart, and it almost makes it prohibitive, unless there is some kind of grant money, to give any kind of feasibility. What you are saying is they have to look for it someplace else and all they can get is a loan—

Mr. CAMPBELL. That is correct.

Mr. SEBELIUS. Thank you.

The CHAIRMAN. Mr. Denholm?

Mr. DENHOLM. Mr. Campbell, I want to commend you and the Administration for fiscal awareness and fiscal responsibility but I do not clearly understand your testimony this morning. If I understand you correctly, it is that you are terminating the FHA grant and loan assistance programs because you have an opportunity to spend 75 percent, you can proceed with 25 percent more money under authority of EPA. How do you equate that position with the philosophy of the Administration in fiscal responsibility and awareness?

Mr. CAMPBELL. Well, we do not believe in duplication. Why should the Farmers Home and EPA both be handling the funds? This is a better funding for the local community to have a 75 percent rather than 50 percent, because so many of these small communities can't make it on a 50-percent grant. I think if you were to check, you would find this to be true.

Mr. DENHOLM. Do you have authority under the present law to make loans to rural communities for water and sewer facilities?

Mr. CAMPBELL. We do under the Farmers Home Administration. We are continuing the water loans under Farmers Home.

Mr. DENHOLM. Do you now have appropriations that have not been spent in the current fiscal year?

Mr. CAMPBELL. On water loans?

Mr. DENHOLM. Yes.

Mr. CAMPBELL. I will let Joe Hanson answer that because he has the figures right off the top of his head.

Mr. HANSON. If the question is do we still have money for water loans, yes; we do for this year.

Mr. DENHOLM. Are loan applications available for approval now?

Mr. HANSON. They are approved on a priority basis. We have more applications than we have funds for. Consequently, each State sets priorities and the priority applications are being approved for which we have funds this year.

Mr. DENHOLM. I understood the Under Secretary to testify that each State has an average of \$40 million available under the EPA. Now, it is true, is it not, Mr. Hanson, that EPA is not interested in the development of water loans and water projects at all?

Mr. CAMPBELL. This \$40 million is not water. This is for treatment plants for sewerage. I am sorry.

Mr. DENHOLM. How much of that, Mr. Secretary, will go to people in rural communities?

Mr. CAMPBELL. Well, as I testified a moment ago, this is done on a priority basis by the State itself. The State sets its priority on all the projects in the State based on the need in that State with regard to water quality. During the last year or two, the EPA has funded, in the small rural areas, half as many projects with grant money as has the Farmers Home Administration. The Farmers Home Administration has had less than \$1 million per State on an average, whereas the EPA

has \$40 million average this year and \$60 million next year and we are convinced that the rural communities will get as much or more than they have been getting in the past.

Mr. DENHOLM. Your testimony, Mr. Secretary, about averages, is misleading. I submit to you that neither Georgia or the State of South Dakota will be allocated \$40 million.

Mr. CAMPBELL. I can give it to you State by State if you would like, any State we have identified here.

Mr. DENHOLM. I will appreciate receipt of that information. I have said that your native State and my State will not receive \$40 million.

Mr. CAMPBELL. That is correct, but you have been getting less than a million dollars per State on the Farmers Home grants.

Mr. DENHOLM. The fact is we haven't received the amount of money appropriated by the Congress.

Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Denholm.

Mr. Goodling?

Mr. GOODLING. Thank you, Mr. Chairman.

Mr. Campbell, you made one statement that I had forgotten about. I do not know how many other committee members forgot this also. You say EPA can make 75 percent loans and FHA 50 percent.

You also say that the FHA will continue to make water loans. That will still be on a 50-percent basis; is that correct?

Mr. CAMPBELL. No, these are loans so far as water is concerned.

Mr. GOODLING. I am thinking of grants.

Mr. CAMPBELL. No, we have no grant money on water currently. It is only loans.

Mr. GOODLING. It is all loans?

Mr. CAMPBELL. That is correct.

Mr. GOODLING. Will it be on a 50-percent basis?

Mr. CAMPBELL. No, it is not based on that.

Mr. HANSON. The loans can be made for up to 100 percent. The grants are limited to 50 percent. However, we do not have grant funds for water projects or any new projects at this time.

Mr. GOODLING. What would be the interest rate on those loans?

Mr. HANSON. Five percent.

Mr. GOODLING. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Goodling.

Mr. Melcher?

Mr. MELCHER. Thank you, Mr. Chairman.

Mr. Secretary, your testimony up to now seems to me to be at cross purposes. You talked about holding spending to \$250 billion, I assume for this fiscal year?

Mr. CAMPBELL. That is correct.

Mr. MELCHER. And the loans and grants were suspended in December?

Mr. CAMPBELL. The programs were terminated January 8, 1973.

Mr. MELCHER. What bearing would that have on spending, then, in this fiscal year? If it had not been suspended, what would have been the bearing on the spending in this fiscal year?

Mr. HANSON. The grant reduction was \$12 million.

Mr. MELCHER. Pardon me?

Mr. HANSON. The reduction in grant funds was \$12 million.

Mr. MELCHER. That is what would be saved in this fiscal year?

Mr. HANSON. Yes, sir.

Mr. MELCHER. Does this contribute much to the \$250 billion spending ceiling, then?

Mr. CAMPBELL. At the same time this grant was canceled out for Farmers Home, you still have your environmental protection grants over in that area.

Mr. MELCHER. That is what seems to me, in your testimony, to be at cross purposes. You say you want to hold down spending. At the same time, you are recommending that they go to EPA, where they get higher grants.

Mr. CAMPBELL. The \$2 billion, when you juggle books all across the board, the \$2 billion was within the \$250 billion and they had to make many cuts in many other areas to get down to the \$250 billion. But the \$2 billion is within the \$250 billion total worked out in the budget that we are talking about. And this 75 percent is there also. But we frankly think the 75 percent and the 50 percent is still within the \$250 billion.

Mr. MELCHER. Well, what you are testifying is that you are trying to find ways to hold spending to \$250 billion and in doing so, you knocked out—

Mr. CAMPBELL. We are also trying to stop duplication.

Mr. MELCHER. No; we are just talking about your \$250 billion. I have heard your duplication comment, too, but that is a separate argument.

What you testified is that in trying to hold the overall spending to \$250 billion, you have knocked out \$12 million from the FHA funding. Is that correct?

Mr. HANSON. Yes, sir.

Mr. MELCHER. And you are now recommending that those who want grants go to EPA where they can get 75 percent grants rather than 50?

Mr. CAMPBELL. Some of them had been getting 75 percent last year and the year before. This is not new.

Mr. MELCHER. You are really recommending that they get more money only under a different agency?

Mr. CAMPBELL. Yes, under a different agency. That agency has more money, though.

Mr. MELCHER. I find it a little inconsistent with your views on holding down spending.

What do you mean by "The Department has a firm commitment to rural development and to maintaining a high level of net income."

Now, how is the Department going to maintain beef prices, for instance?

Mr. CAMPBELL. How is the Department going to maintain beef prices? We do not have to. They are being maintained pretty well as it is.

Mr. MELCHER. That is right. What does the Department have to do with net farm income? I find this intriguing in your statement to mention that you are committed to maintaining farm income when the Department has nothing to do with much of farm income.

Mr. CAMPBELL. We think that the operation of the 1970 farm program has had a lot to do with farm net income because it has turned

the farmers loose to go out and rearrange their acreages, utilize their land and their machinery different from the way they had been doing under the previous rigid programs, when they could not overplant on an allotment without being severely penalized. When a man is allowed to plant 75 acres instead of 50 in one field and 120 acres instead of 100 in another field and have a bigger gross, he can also get a bigger net in the marketplace. So the 1970 act has had a lot to do with it. We need to pass one this year, too.

Mr. MELCHER. What you are talking about is net income from cotton, wheat, and feed grains.

Mr. CAMPBELL. All the farm commodities.

Mr. MELCHER. You are not talking about meat prices, are you?

Mr. CAMPBELL. We didn't mention the price of any product. We are talking about the total net income from all farm commodities.

Mr. MELCHER. I just wondered whether in your thinking of the Department's commitment to maintain high farm net income, you had a plan to maintain the very substantial increases in meat prices?

Mr. CAMPBELL. We are talking about all net income from all commodities and they go up and down. Our pork producers are enjoying net income right now, whereas they went through an 18-month period where they sustained losses. Our egg producers are enjoying a net income now whereas they went through 3 years of losses. They had a minus net worth, egg producers. These figures go up and down, Congressman. You know that as well as I do.

Mr. MELCHER. I am just asking whether the Department, to maintain the high level of income for beef and pork producers, has a plan to help maintain that structure?

Mr. CAMPBELL. Well, this decision is being made by the pork and the meat producers. They do not want the Government interfering with their business. They told Congress and the executive branch time and again, we do not want a Federal program on beef cattle, we do not want one on pork. I think you can check the National Cattlemen's Association. They do not want a Federal governmental plan on that.

Mr. MELCHER. They certainly do not.

Mr. CAMPBELL. But they certainly want adequate grain supplies in order to feed at a reasonable price.

Mr. MELCHER. They certainly do not want a Federal program for beef and pork producers, and I am asking you whether in your statement about maintaining a high level of income, you are inferring anything to do with meat prices?

Mr. CAMPBELL. No, sir.

The CHAIRMAN. Mr. Wampler.

Mr. WAMPLER. Thank you, Mr. Chairman.

Mr. Secretary, I am somewhat intrigued by your testimony this morning and also the letter from the Department pertaining to the legislation before us. I realize this question is rather basic and probably elementary, but can you tell me how to operate a sewerage disposal system without a source of water?

Mr. CAMPBELL. Without a source of water?

Mr. WAMPLER. Yes.

Mr. CAMPBELL. I could not do that; no, sir.

Mr. WAMPLER. It seems to me that what you are doing here is putting the cart before the horse. How are these rural communities going to take advantage of EPA programs to build sewerage disposal systems when they have no water systems?

Mr. CAMPBELL. We do not anticipate that they will have no water systems, because the Farmers Home Administration has regularly carried on a loan program on water systems and will continue to do so.

Mr. WAMPLER. But you are cutting out the FHA water grant program, is that correct?

Mr. CAMPBELL. Well, the past experience, as I understand it, is you have not had too much of a grant program in most areas on water. It has mostly been a loan program, because most of the communities can make out without grant money. There have been some that could not get along without grant money, but most of them could get along without grant money.

Mr. WAMPLER. I wish you would come with me to my district and let me show you some water systems that have been built where we had to have 50-percent grant money or otherwise we could not have built them. As I understand the philosophy of the grant and the loan, it was to keep the user charge down to where it would amortize itself, I believe over 40 years, with a charge not inconsistent with what would be charged in a more populated area. What I think you are doing here when you cut out the grant portion of the Farmers Home Administration program as it pertains to water systems, many of these communities are simply not going to be able to avail themselves of the loans because the user charge would simply be prohibitive and they could not pay it back. That is my thinking.

The thinking that the Environmental Protection Agency under revenue sharing will fill this gap that the Farmers Home Administration has been performing in Virginia is wishful thinking. In my area it has done an outstanding job.

For example, I have a community in my district right now that has an application pending that would require a \$350,000 grant and a \$350,000 loan under the old program that you plan to abolish. The revenue sharing for this community was less than \$4,000. How do you propose that this community build a water system when the wells, the source of the water, have been condemned as being unfit for human consumption?

What say you to that?

Mr. CAMPBELL. I do not know the answer to that particular community, because I do not know anything about their tax structure and all of the other things that go with it. Communities are very resourceful at times when they need to be and I just do not know enough about your community to answer the question, because I know nothing about their tax structure or their ability to sell bonds or any of these other items.

Mr. WAMPLER. There is no question but your cutting out that portion of the grant program of the FHA that would have been available to match loans for the water systems would certainly discourage them, would it not?

Mr. CAMPBELL. Yes, the grant money on water loans is out, that is correct.

Mr. WAMPLER. As I say, I find this a rather intriguing position. I am not quarreling with the fact that the EPA can go as high as 75 percent in grant money for sewerage disposal systems. The point I am making is that rural America, and I think we might as well be candid, under the philosophy of EPA, rural America is simply not going to

get its fair and equitable share. We are doing away with a program that has proven itself effective in helping to solve the problems of rural America and I think the accomplishments of the Farmers Home Administration in this area are to be commended, but I feel what you are doing is destroying a program that is working and helping solve the problems of rural America. Normally, I am opposed to mandatory language in any type of legislation, because I do not think that gives the administrator the flexibility he needs. But when you are taking this arbitrary action that you have taken to destroy a workable program, I am going to support this legislation.

Thank you.

The CHAIRMAN. Thank you, Mr. Wampler.

Mr. Jones?

Mr. JONES of Tennessee. Thank you, Mr. Chairman.

First, Mr. Chairman, I would like to say that I share with Mr. Wampler the statement that he just made.

Mr. Campbell, on page 2 at the bottom of the page, I note that you state here:

A survey of water and sewer facilities needs conducted by the county supervisors of the Farmers Home Administration in 1969 indicated that many of the communities needing new or improved water systems or sanitary sewerage systems require little Federal assistance. Many will need no grant at all.

Mr. Campbell, I would like you to come to Tennessee with me and just make a few stops in some of the county offices in my district. I recognize the fact that this was 1969. Yet, that is not the same story that I get when I talk to the county supervisors at FHA, I think that you are proposing to destroy one of the finest programs that the U.S. Department of Agriculture has ever had. I have never seen a statement that I am in as much disagreement with as I am this one. I have many communities in my area that are in dire need of water and sewerage and I do not know how we can rebuild rural America if we do not continue to make some contributions to these rural communities that will help people relocate in the rural areas. To me, you are diametrically opposed to what we are doing and I am not willing to leave it to the EPA to do. When we have had an agency that has been so effective as the Farmers Home Administration has through the years—I have always trusted them. I have great respect for them and what they have done and I hate to see you, as a rural man yourself, take the position that you have taken here today.

That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Teague?

Mr. TEAGUE. Yes, Mr. Chairman.

Mr. Campbell, I have not studied the budget in detail but the Washington Post reports that there will be an increase from \$6.2 billion to \$6.8 billion in fiscal 1974 for sewer grants. Is that a correct understanding? I am talking about overall in the budget for sewer grants.

Mr. HANSON. The grants from EPA for 1974 fiscal, I think, will be \$3 billion as compared to \$2 billion for 1973.

Mr. CAMPBELL. Congressman, this must include money that is over in HUD as well as EPA.

Mr. TEAGUE. It probably does.

Mr. CAMPBELL. It must be an overall figure and I regret, we do not have that.

Mr. TEAGUE. As far as you know, that is a correct statement, though?

Mr. CAMPBELL. Yes.

Mr. TEAGUE. Can you give us any estimate at all as to how much of this money, what percentage of this money might go to communities of 10,000 or less?

Mr. CAMPBELL. No; but we do have the information on what EPA has been doing, Congressman, the last 2 or 3 years on grants for treatment facilities and they have made grants to half as many communities as has the Farmers Home Administration. The Farmers Home Administration money is rather small compared to the EPA money, less than a million dollars per State. Well, really, that does not go very far, whereas the EPA funding is going from \$2 billion this year to \$3 billion next year, so there will be a considerable increase in the amount of money. We are convinced that the rural areas will get their share. We have no doubt about it in our minds.

Mr. TEAGUE. How will rural areas go about getting these funds?

Mr. CAMPBELL. This is to be handled under the EPA regulations by each State individually and they will make up a priority list of the needs with regard to water quality so far as treatment plants are concerned in that State. It is incumbent upon each community to present itself to the State agency involved in making up this priority list. They take the case to the State. They are much closer to the situation than we are here in Washington, D.C.

Mr. TEAGUE. I certainly agree with that concept.

Will the grant authority include solid waste disposal or not?

Mr. HANSEN. The grant authority for EPA does include solid waste under certain conditions, as we understand it; yes sir.

Mr. TEAGUE. All right, one final question.

Is it not true that Secretary Butz, who serves now as counselor, that his duties will include overseeing the EPA?

Mr. CAMPBELL. Yes, sir; this is correct.

Mr. TEAGUE. And he certainly is a friend of agriculture?

Mr. CAMPBELL. Yes.

Mr. TEAGUE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Teague.

Mr. Secretary, I would like to get straight on what basis you are proposing this bill? I had understood that the President suggested that he defend his cuts on the basis that he could save some money. Now you tell us that you are going to give more money to the rural areas. Or do I misunderstand you?

Mr. CAMPBELL. No; you are correct, Mr. Chairman, but it is coming from EPA instead of FHA.

The CHAIRMAN. I understand. But that takes more out of the budget, does not it?

Mr. CAMPBELL. Yes, sir; within the \$250 billion ceiling.

The CHAIRMAN. Now, do I understand that you are telling us that this bill will save something in the way of budget? Will there be any saving to the Treasury if we pass this bill?

Mr. CAMPBELL. Any saving to the Treasury?

The CHAIRMAN. Any saving to the U.S. Treasury. Will the Government spend less money next year or will it spend more as a result of the passage of this bill?

Mr. CAMPBELL. I would think we would still try to hold spending to a reasonable level.

The CHAIRMAN. I did not ask you what you would hold it to. I asked you if you would spend more money as a result of the passage of this bill or less?

Mr. CAMPBELL. I doubt seriously that there will be any change. I think that is what you are saying.

The CHAIRMAN. You do not think that it will have any effect on the budget?

Mr. CAMPBELL. That is correct.

The CHAIRMAN. Then your only reason for opposing this bill is that you want to put all of the control of sewers into EPA?

Mr. CAMPBELL. In one place.

The CHAIRMAN. And that one place is in EPA?

Mr. CAMPBELL. That is correct.

The CHAIRMAN. You do not want it?

Mr. CAMPBELL. Right.

The CHAIRMAN. But you keep control of water. And you can't have a sewer system without a water system. I think you agreed with Mr. Wampler on that, didn't you?

Mr. CAMPBELL. Yes; that is correct.

The CHAIRMAN. So you haven't put the control of the whole system in one agency, have you?

Mr. CAMPBELL. Not of water and sewer. We still retain the water.

The CHAIRMAN. And you can't have a sewer system without a water system, can you?

Mr. CAMPBELL. We can work together, Mr. Chairman.

The CHAIRMAN. I asked you if you can have a sewer system without a water system.

Mr. CAMPBELL. I have already answered that.

The CHAIRMAN. You think that is correct?

Mr. CAMPBELL. Right.

The CHAIRMAN. And now under your proposal, you are going to have two agencies functioning, aren't you?

Mr. CAMPBELL. That is correct.

The CHAIRMAN. And you are going to have a division of authority? That is correct, isn't it?

Mr. CAMPBELL. Well, a division of authority in that we will have two agencies.

The CHAIRMAN. And you are still going to fund it and your proposal does not cure the vice that you point your finger at.

Mr. CAMPBELL. It cures it from the standpoint of your waste disposal because it will all be in one area and the water will be over in the other area, as it has been in two or three areas.

The CHAIRMAN. And you simply can't run a waste disposal without water. And you can't establish water systems in most of the rural areas still needing water systems without grants, can you?

Mr. CAMPBELL. We haven't found that to be true, Mr. Chairman.

The CHAIRMAN. I am talking about the future. Certainly you have served the most opulent areas; the less opulent areas are yet to be served and they are the ones that need the grants the most, aren't they?

Mr. CAMPBELL. They would be, yes.

The CHAIRMAN. They are.

Mr. CAMPBELL. Yes.

The CHAIRMAN. They are right now. And they are the ones that you are not going to serve—I believe that someone else stated it—that you are going to turn down a bunch of these, you do not have money enough to go around. You are going to have to turn down those that cannot meet your requirements for service, aren't you?

Mr. CAMPBELL. Yes. That has been true in the past and I am sure it will be true in the future.

The CHAIRMAN. No, it was not true in the past, because we made up that money with grants and we are not going to have those grants now.

Mr. CAMPBELL. It did not solve all the problems in America.

The CHAIRMAN. It did not solve all the problems, because you did not use all the grant money. You did not use half of it, as a matter of fact. That is right, isn't it?

Mr. CAMPBELL. Even had we used it, we would not have solved every community's problem.

The CHAIRMAN. You did not use it though, did you?

Mr. CAMPBELL. No, sir.

The CHAIRMAN. In 1970, you had \$100 million and you used \$46 million. That is the way it went. But you did solve many of the problems and were able to establish many water systems that could not have been established had there not been grant money?

Mr. CAMPBELL. Yes.

The CHAIRMAN. And there would be less water systems that could qualify in the future if we carry out your plan?

Mr. CAMPBELL. Less of the smaller ones that you are referring to.

The CHAIRMAN. Less of the smaller ones.

Mr. CAMPBELL. Yes.

The CHAIRMAN. Now, let's talk about those bigger ones. Where is this EPA money going? How much of it is going to rural areas? You told us the number, but you did not tell us the amount of money. How much money did EPA put into these rural areas?

Mr. CAMPBELL. This is based back on the State level. EPA will not make that determination. Each individual State will set up its own priorities.

The CHAIRMAN. I am asking you last year how much money EPA put into rural areas for sewer systems?

Mr. CAMPBELL. We would have to seek that information and supply it to you.

The CHAIRMAN. You do not know it?

Mr. CAMPBELL. We have the numbers.

The CHAIRMAN. I know the number. You have given us the number several times.

Mr. STUBBLEFIELD. Mr. Chairman, your time has expired and I ask unanimous consent that you proceed for 5 minutes.

The CHAIRMAN. No, I do not want to proceed for 5 minutes.

We will call the next man, who will be Mr. Baker, I believe.

Mr. BAKER. Thank you, Mr. Chairman.

Mr. Secretary, I am inclined to agree with the Department's action because I feel that the priority before the executive branch and the Congress, independently or jointly, now is to cut Federal spending, whoever will do the job. But I am intensely interested in the rural

areas in my district, because the urban areas have gotten so cluttered that they are breeders of crime and ignorance and everything else that is unattractive to our way of life. You have been described, it seems, almost by the majority of our committee members as an enemy of agriculture and rural America rather than a friend. I want to clarify a little but about our Rural Development Act and how the Department, with the limitation which might be placed on them here to mandate expenditures in several areas would be hampered in carrying out a broad program of interest to rural America.

Mr. CAMPBELL. Well, we must really look at the Rural Development Act. We have studied the Rural Development Act very closely and it is an extension or a duplication of current or past ongoing programs. We have been unable to find anything new in the Rural Development Act which is not already being carried on by some branch of Government somewhere, so really, the Rural Development Act as passed is an extension or duplication of some ongoing programs. It is a matter of funding level of these programs and we contend very seriously that under the Environmental Protection Agency, the grant money there has increased the ability, the ability to help the community is increased because of the increase of the funding to 75 percent rather than 50 percent. I can give you illustrations of two or three projects in my home State, since you made personal reference to me, where they are going to be able to go ahead better with the 75 percent than they could with the Farmers Home Administration where they were cut off. They were cut off right in the middle of their application and the Farmers Home Administration called them and told them to go to EPA, where they would be better off with 75 percent than they would with 50 percent under FHA.

So to answer your question with regard to rural development, this is merely a magnification and an increase of ongoing programs. We have found nothing new in that package, and we have looked at it very closely, that has not already been done by some other agency, so it is a matter of funding in order to get a level to go forward with.

Mr. BAKER. If this legislation which is under consideration today is not enacted into law and if the legislation on which we acted a couple of weeks ago in the REAP program is not enacted into law, how is the Department of Agriculture going to move to be a significant influence in helping rural America in the face of a different action which has been envisioned by —

Mr. CAMPBELL. We are concerned first with the net income of the farmer. We start there. That is the reason this was in my testimony. We think an excellent job is going forward there under the 1970 act and under the 1973 act. After we leave the farmer, we are concerned with the welfare and the standard of living and the ability of communities to be able to survive.

Now, we in America have a philosophy that each individual person shall have an equal chance. The way we look at rural development, each community should have an equal chance. But each community does not have all of the characteristics which will permit that individual community to develop any more than every person in America has equal attributes that puts us all on an equal plane. We just aren't. So we visualize rural development as giving each community an opportunity in competition under the free enterprise competitive system to

develop itself. But it may be geographically located wrong, it may have a no-transportation situation, it may have a climate that will not let it develop.

There are so many things that will inhibit its development. But still it should have an opportunity under the Federal programs, and that is what we intend to do—give every community in competition with all the rest a chance competition and let the State substantially make the decision where this will occur. That is what happens in this case. The State sets up its priority list and it is up to the communities to work within that structure within the State to get on the list somewhere in the rank of priority. This is the way we intend to go forward on rural development.

Mr. BAKER. If I understand you correctly, neither the Department of Agriculture nor the Environmental Protection Agency will make these decisions? It will be the State's responsibility?

Mr. CAMPBELL. That is correct, it will be made back at the State level by some State agency there.

The CHAIRMAN. Thank you, Mr. Baker.

Mr. Stubblefield?

Mr. STUBBLEFIELD. Mr. Secretary, getting back to the bottom of page 2 that Mr. Jones referred to, in the 24 counties I represent, I do not know of a single application that was ever approved that did not give grant money with it. This statement about they do not need grant money is to me the statement of the year! They could not possibly have installed a water system that kept a rate within reach of the people there without grant money. I just think that you probably have skipped Virginia, Kentucky, and Tennessee when you made this survey. I would like to have some figures.

How many of these water systems have been built with that grant money?

Mr. CAMPBELL. I have figures right here for this fiscal year, Congressman. There are 800 systems that will secure loans. One hundred and seventy of the 800 will receive grant money, which leaves you 630 out of the 800 that will receive no grant money this fiscal year.

Mr. STUBBLEFIELD. Well, the 170, of course, were the poorest ones that had to have grant money to have a feasible operation?

Mr. CAMPBELL. I think that is obvious.

Mr. STUBBLEFIELD. Then getting down to the revenue sharing, this administration is pitching everything on revenue sharing. In this instance, you say, the revenue sharing will take care of it. These little communities, many of them do not get any revenue sharing that have applications in for water systems. They are not even a line item in revenue sharing program. Actually, the ones that are getting revenue sharing are an infinitesimal amount of what it would take to build a water system.

And another statement you made that I cannot quite see. You say you want to get down to the local level and let them make a decision. Well, the Farmers Home Administration in my county makes that decision. Certainly you could not get any closer to the people than the county FHA office. You say that decision is made here in Washington. They make it down there if it is a feasible project; it never gets to the State level. Therefore I can't see, you are saying that all the decisions

are made here in Washington. In my case, it is made down at the county level.

I just want to go on record as agreeing with Mr. Wampler and Mr. Poage that your statement simply does not fit in with my district.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Johnson?

Mr. THONE. He is not here, Mr. Chairman.

The CHAIRMAN. Mr. Madigan?

Mr. MADIGAN. I have no questions, Mr. Chairman.

The CHAIRMAN. All right.

Judge Rarick? I am sorry I missed you.

Mr. RARICK. Thank you, Mr. Chairman.

Mr. Secretary, would it be safe to conclude from your testimony this morning that the administration is in a transition period where we are winding down the grants or the so-called giveaway programs and going into a system of loans?

Mr. CAMPBELL. Not with regard to treatment plants, no sir, because we still feel as though we must have grants for these treatment plants. The grant is in the EPA area rather than having two sources, Farmers Home and EPA; we think it should only be in one area.

Mr. RARICK. In other words, there will still be a continuation of the grants under EPA.

Mr. CAMPBELL. Yes.

Mr. RARICK. In my district, I do not know of any local offices of EPA. Will this giveaway program still be operated from Washington?

Mr. CAMPBELL. No; in order to receive a grant from EPA, you must go to your State instead of to Washington, D.C., because the EPA is allocating the money out, State by State. I have a tabular form or table here that I can put in the record.

Mr. RARICK. I noticed that in your statement.

Mr. CAMPBELL. And the State agency, you go to your State agency and get on their priority list and they list the various projects by priority as to the dire need with regard to the State as a whole.

Mr. RARICK. I think it is safe to assume that in the States, like here in Washington, farmers and the rural community no longer have the political muscle to be effective.

Mr. CAMPBELL. These are small towns and cities; they are not farmers. Of course, farmers live there and some of them may be on the system, but we are speaking so far as our sewerage plants are concerned of your small communities in the State that work with your State all the time.

Mr. RARICK. But the larger cities seem to end up getting all the giveaways.

Mr. CAMPBELL. No, that has not been the experience here. As I said previously this morning, last year, the Environmental Protection Agency made grants to half as many small communities as did the Farmers Home Administration and the Farmers Home Administration has a very small amount of money as compared to EPA.

Mr. RARICK. Mr. Secretary, I must say that your statement on page 3 certainly is very appropriate and I think it is welcome news to the ears of many people to hear you say:

The new approach seems more in keeping with the current desires of the people in limiting Government expenditures, returning to state and local people

and governing bodies a greater role in the establishment of their own priorities and selection of programs which only they can decide are in their best interests.

Do you feel that many people in the United States today would agree that giving aid to North Vietnam is of greater interest and more important to them than continuing grants to try to cure the pollution problems of our rural and farm areas?

Mr. CAMPBELL. Mr. Congressman, I do not think we are in that position, because we are proposing to continue grants at an increased funding level, going up 50 percent next fiscal year as compared to this year, going to \$3 billion instead of \$2 billion on the EPA, so we are not in a position of making that choice.

Mr. RARICK. There will not be any need to get State approval on revenue sharing to North Vietnam, and I doubt that it will be a 5-percent loan. It will be a giveaway, we can assume, can we not?

Going to your last paragraph on the same page, you indicate that as you hear the farmers—and I hear them say the same thing—they do not want further increases in taxes at any level of government. I am afraid that unless someone wakes up in our Government, our farmers may find their taxes increased to install disposal and water treatment plants in North Vietnam. And, of course, here we are denying them the same opportunity to participate in the pie of their own tax dollar.

Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Rarick.

Mr. Mizell?

Mr. MIZELL. Thank you, Mr. Chairman.

Certainly, I will be brief. I apologize for being late. But, Mr. Secretary, I am concerned about some of our rural areas where they do not have the tax base in order to come up with money to do the planning and so forth that is needed in order to even apply to the State for one of the grants or a loan. Now, we still have some sections where we have not provided water in rural areas where it is needed. Do you have any plans for being able to help these communities?

Mr. CAMPBELL. You are speaking of water now and not waste disposal?

Mr. MIZELL. Yes.

Mr. CAMPBELL. We currently have a loan program only, with no grant. I do not know if the Congressman was here when I reported these figures on a previous question, that during this fiscal year, we anticipate 800 loans in rural America, with 170 receiving grants, which means that 630 will operate without grants. This has been the general picture that the vast majority, the greater percentage of the communities, do not require grants, although we must confess that some of the small ones do need them. But we have no plans currently for them.

Mr. MIZELL. Just so I completely understand you, there are no plans at this time to provide some moneys to do the study and the planning that is needed even before you can apply for the loan?

Mr. HANSON. Not from Farmers Home Administration. The Housing and Urban Development has the grant program for planning purposes that we would expect to take care of this.

Mr. MIZELL. Even into the rural areas?

Mr. HANSON. Yes sir; they have funded most of the planning in the last couple of years in the rural areas.

Mr. MIZELL. Well, I certainly was not aware of that. At least, this has not been the case in my area. All the planning moneys have come through the Farmers Home Administration for the rural water systems, so I am not aware of that and I am glad to know that this is available.

Mr. HANSON. There was about \$2 million in 1972 and less in 1973 from Farmers Home.

Mr. MIZELL. Mr. Secretary, in your opinion, do you think that the moneys for rural water systems and rural sewerage treatment systems will be forthcoming?

Mr. CAMPBELL. Yes. We think on the waste disposal treatment plants that we have a much better situation under EPA because of 75-percent grants rather than only 50 percent on Farmers Home Administration. This seems to be needed by a good many of these as far as your waste disposal is concerned. The need does not seem to be nearly as great with regard to water. But this is a much better situation for the community on waste disposal because of the 75-percent feature instead of the 50-percent feature under Farmers Home. And also the tremendous volume of money in the Environmental Protection Agency as compared to less than a million dollars per State in grant money under the Farmers Home.

Mr. MIZELL. I thank the Secretary for his response, and I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Mizell.

Mr. Jones?

Mr. JONES of North Carolina. Thank you, Mr. Chairman.

Mr. Secretary, at page 2, it says "Similarly, grants for water systems may be made from the revenue sharing funds if States and communities decide this is the most appropriate use of such funds."

Are you referring to the present revenue-sharing legislation which is on the books, or is this some additional plan involving the Department of Agriculture.

Mr. CAMPBELL. No, there are no additional plans. This would have to be out of current funds.

Mr. JONES of North Carolina. I would like now to make an observation, Mr. Chairman. I think in my opinion there are two most unfortunate things which have happened in the last 2 or 3 years. One was somebody rediscovering the 1899 act which gave the Department of the Interior all sorts of jurisdiction over dredging and other activities that relate to our seacoast. Perhaps the next unfortunate thing, Mr. Secretary, was the fact that farmers in 1972 set a new record of "\$19 billion". You seem to overlook the other years of 1970, 1971, 1969, when it was not quite that good.

Also, we seem to have overlooked the fact that the cost of production is greater now than at any time in the past, yet it has been used in several hearings that we are going to terminate all these long-established programs because the farmer one year had a \$19 billion income. So perhaps it is unfortunate that they had such a good year in the long run.

That is all I have to say, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Jones.

Mr. Mathis?

Mr. MATHIS. Mr. Chairman, I have no questions, sir. Thank you very much.

The CHAIRMAN. Mr. Bergland?

Mr. BERGLAND. Thank you very much, Mr. Chairman.

Mr. Secretary, how much money is available for the water loan program for this fiscal year?

Mr. HANSON. For fiscal year 1973, \$300 million is available for water and waste loans, through December we were using about 65 percent of it for water systems.

Mr. BERGLAND. Will all of the \$300 million be expended before the year ends?

Mr. HANSON. Yes sir.

Mr. BERGLAND. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Bergland.

Mr. Matsunaga?

Mr. MATSUNAGA. No sir.

The CHAIRMAN. Mr. Bowen?

Mr. BOWEN. Thank you, Mr. Chairman.

I did not have an opportunity to hear all of the Under Secretary's remarks, but my initial reaction is that I am in complete disagreement with his position. I would like to ask him just one question for clarification.

Are you telling us that the moneys which will be made available to State pollution control agencies which the administration is recommending will be as much as the previous combined totals of Farmers Home sewerage grant moneys and EPA grant moneys?

Mr. CAMPBELL. It actually will be more.

Mr. BOWEN. And therefore, you are presuming, you are clearly stating that the administration proposes making more money available to the States for rural water systems if the States wish to use it for that purpose?

Mr. CAMPBELL. Well, I was answering your question with regard to waste disposal rather than water. We are continuing our loan program on water at about the same level so far as water is concerned.

Mr. BOWEN. In terms of waste—

Mr. CAMPBELL. In terms of waste, the EPA has \$2 billion this year and will have \$3 billion next year, which is a 50 percent increase. It goes from an average of \$40 million per State to an average of \$60 million per State. Of course, that is an average. Some of these States will get \$200 or \$300 million and some will get only \$8 or \$10 million depending on the need and size.

Mr. BOWEN. In our State, I do believe our State agency for air and water pollution control is keenly interested in sewer systems for rural communities, but I know there are a great many States where the Congress must protect the interest of rural areas. I feel that in our State, we have had a very happy relationship with the Farmers Home Administration in the area of sewer systems.

I have also noted that there is a repercussion in another program that affects some 13 States that participate in, the Appalachian program, whereby section 214 moneys have been available to match Farmers Home sewer grants. This is to enable that Farmers Home grant money to be spread more thinly in more rural communities because of

the available Appalachian matching funds. Cutting out FHA sewer grants would affect that program as well, since the Appalachian funds can only match sewer grant funds.

I feel that we must pass this legislation; it will be in the interest of the rural areas of this country, and I would like to indicate my disagreement with the Under Secretary's position.

Mr. CAMPBELL. Yes.

The CHAIRMAN. Thank you very much, Mr. Bowen.

Mr. Gunter?

Mr. GUNTER. Thank you, Mr. Chairman. I certainly want to thank the Secretary and the members of the Department for their responsiveness in indicating the position of the administration on this legislation and on other matters.

One of the things that I believe was stated which is of concern to me, Mr. Secretary, was your statement that the administration and the Department feel that \$250 billion is an appropriate limit on spending. You indicated, I think, that Congress did not have much interest in limiting spending.

Mr. CAMPBELL. I hope I did not leave this indication, Congressman.

Mr. GUNTER. I hope not, too, because I hope that is not true.

Mr. CAMPBELL. I feel as though Congress is concerned in this area. I would like to correct that if I did leave that impression.

Mr. GUNTER. There is a real possibility that this 93d Congress is very concerned about limiting spending and there may well be very many of us that would agree with your figure of \$250 billion. I do. But I think at the same time, there are many of us who quarrel with the priorities which the administration seems to pick and choose. There are certainly some of us on this committee who feel very strongly that agriculture is getting an inordinate percentage of the gouge in this whole treatment of the budget.

Mr. CAMPBELL. I feel certain that if Congress were to impose a reasonable level on spending and then order the priorities, the so-called confrontation between the executive branch and the congressional branch would come to zero.

Mr. GUNTER. Well, I am pleased to hear you thought on that. I really have some very deep concern about the strength of the fight which the Department of Agriculture is presenting in this battle of the budget, because as I look at the figures and as I review what has happened as a result of this confrontation, so-called, I really wonder whether or not the farmer has a strong advocate in the Department of Agriculture.

Let me just ask you this.

Mr. CAMPBELL. May I make a comment on that?

Mr. GUNTER. Yes sir.

Mr. CAMPBELL. Just briefly, since you have made the statement, there is no recommendation or action that has been taken that affects the farmers net income and that is what his family lives out of.

Mr. GUNTER. Let me ask you this. You made a point in your testimony this morning about duplication. Mr. Teague, I believe it was, pointed out that there is money, of course, in EPA. You testified to that effect. There is money in HUD for sewer and I believe water development, also. The thing that I do not understand is we have some duplication there, apparently. What is wrong with having money in

the Farmers Home Administration for this purpose when we are talking about an administration that obviously is concerned about Federal expenditures and we are talking about moneys on a grant basis at the level of 50 percent, and when we heard so much testimony yesterday about the need to serve many small communities where the votes are not, obviously. And when we listened several days ago to the EPA before this same committee which could not seem to remember that farmers with two or three cows did not need to have a permit for water release because they seemed to have kind of forgotten about agriculture.

The point that I am driving at is obviously, the Farmers Home Administration would be concerned about rural America, would be concerned about farming people. I am not convinced that the EPA will. And I do not see the problem in the so-called duplication when you already have testified that two agencies will continue in this field of grant money. What is the problem of continuing at a 50-percent level, which obviously is a more conservative approach, and being sure that you have one agency that would be looking after the farmer and for rural America?

Mr. CAMPBELL. We could cite case after case where these small communities have come all the way to Washington, D.C., to deal with as many as four and five agencies, and although we may still have two, we do not have four or five. We are reducing this duplication and triplication and quadrupling to the lowest level we can at the present time. You should see some of these frustrated communities that chase all over Washington, D.C., to four or five different offices. If we can get this eventually down to, on any subject matter, one office, we feel any community is going to be better served.

Also, in this particular case, they do not have to come to Washington. All they have to do is go back to their State agency and deal with them. In your home State, the State agency would put out an order of priorities based on the problems within your States project by project and we just feel completely confident that the EPA will take care of the waste needs in your home State and every other State when it comes to the rural people in the rural communities. Evidence has already been shown to that effect in the past administration of the EPA.

The CHAIRMAN. The gentleman's time has expired.

If there are no further questions, does anybody else want to appear in opposition to this bill?

(No response.)

The CHAIRMAN. If there is nobody else, that will conclude the hearing on this bill. The committee will go into executive session.

Thank you very much.

(Whereupon at 11:15 a.m., the committee proceeded to other business.)

(The following statement and letters were also submitted to the committee:)

STATEMENT OF WILLIAM E. MURRAY, THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

My name is William E. Murray. I am legislative representative for rural areas development of the National Rural Electric Cooperative Association, the national service organization of nearly 1,000 rural electric systems operating in 46 states. These systems bring central station electricity to 24-million farm and rural people over lines in 2,600 of the nation's 3,100 counties.

We strongly support H.R. 3298, introduced by Committee Chairman Poage, which would reinstate the rural water and sewer grant program of the Farmers Home Administration.

For many years now, the rural electric cooperatives have played an active role in trying to stem the outmigration from rural America. And through their national association they have vigorously supported legislation aimed at achieving a sound balance between rural and urban areas.

We are particularly aware of the tragic consequences of the migration of millions of displaced farm and rural people to the cities during the last three decades. The host of problems now besetting our major cities including violence, pollution, traffic jams, and human misery of every kind are, in large part, attributable to this unplanned exodus of some 30-million rural residents to urban centers since 1940. Millions of them were forced to leave the countryside in search of jobs. And, unfortunately, too many of them because of age and lack of job skills ended up on welfare rolls or eking out the barest subsistence.

The passage of the Rural Development Act of 1972 was, in our opinion, the fulfillment of a commitment to rural development which Congress made in Title IX of the Agricultural Act of 1970. In that bill it was stated: "The Congress commits itself to a sound balance between rural and urban America. The Congress considers this balance so essential to the peace, prosperity, and welfare of all of our citizens that the highest priority must be given to the revitalization and development of rural areas."

NRECA and its member systems were extremely encouraged when this landmark legislation, which the Chairman of this Committee authored, was enacted. It provided for the first time within the Federal establishment a complete package of the basic rural development tools including financing for job-creating enterprises, and assigned the mission for rural development to one department, the Department of Agriculture.

Prior to the November election, it appeared that the Administration intended to energetically implement the new legislation. At least that was what high government officials said would happen. And there was reason to believe that the President himself favored a massive, comprehensive approach to revitalizing rural communities. In a State of the Union message to Congress a few years ago, he called for action that would "not only stem the migration to urban centers but reverse it."

Thus you can understand our dismay when we learned of the Administration's decision terminating Farmers Home Administration water and sewer grants as well as other essential components in the rural development package which the Rural Development Act made available. Among them were the cutback of FmHA low-income housing, the elimination of sewer and solid waste disposal loans under FmHA starting July 1, 1973, and the token loan level for rural job-creating activities. Under the Administration's budget for 1974, it will not be possible to implement the Rural Development Act on the scale necessary to achieve the results which we believe Congress intended when it passed the bill. Obviously, the Administration is not giving rural development "the highest priority" in keeping with the Congressional commitment in the 1970 Farm Bill.

While water and sewer grants may seem insignificant, that is not the case. According to Farmers Home Administration estimates, there are approximately 30,000 rural communities that need waste disposal systems, and 34,000 need water systems. These are communities of under 5,500. The figures undoubtedly are higher since communities of 10,000 are eligible with the passage of the Rural Development Act.

The experience of FmHA shows that in about 70 per cent of the applications for sewer systems, a grant is necessary to make the system economically feasible. The percentage in water applications is about 30 per cent. It is obvious that most rural communities are not going to be able to qualify for a sewer loan, and about one-third will not be able to qualify for water loans.

The Administration states that sewer loans will be made next year by the Environmental Financing Authority. It is our understanding that EFA is a long way from being operative, and moreover that it can only make loans to state and public bodies. Where will non-profit associations, which went to FmHA for waste disposal loans, go then? Admittedly most of FmHA loans went to public bodies, but most of the loans were accompanied by grants so as to make them feasible. There will be a lot fewer loans to public bodies, and apparently none to associations unless the FmHA grants and sewer loan programs are continued.

Starting next year, according to information in the budget, grants will be forthcoming from the Environmental Protection Agency under the Federal

Water Pollution Control Act of 1972. There are two reasons to wonder whether rural areas will fare very well. Indications are that most of the EPA grants will go for building treatment plants, not collection systems which are the major need in so many rural communities. Also there will be no grants for solid waste disposal systems as there are under FmHA. Solid waste disposal is of primary importance in rural areas. Furthermore, the Administration's sharp cut in the amount of funds available under the Water Pollution Control Act, from \$11 to \$6-billion, does not auger well for the prospects of rural areas getting much in the way of grants in competition with the metropolitan areas whose needs are monumental.

The intention of Congress to coordinate rural development by assigning the leadership and coordinating role to one department, the USDA, is now being fragmented by the Administration's proposals. This is a serious setback to the rural development capability of the Department of Agriculture.

Water and sewer grants are vital in the comprehensive approach to nationwide rural development which Congress purposely embodied in the Rural Development Act. Water and waste disposal systems are an integral component of community development. It is useless to expect industrial development or housing without these basic facilities. So progress in rural development depends importantly upon restoration of the FmHA grants as well as restoration of FmHA sewer loans next year and FmHA low-income housing.

Of equal importance to making mandatory the language regarding grants in the Consolidated Farm and Rural Development Act is the language requiring that the funds appropriated by Congress are to be used for these purposes. Without the second provision, the Administration could continue to impound funds. Though the need for grants exceeds the \$150-million appropriated by Congress, the Administration has seen fit to utilize only one-fifth of the amount.

NATIONAL FARMERS ORGANIZATION,
Washington, D.C., February 19, 1973.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is to express our support for H.R. 3298 and related bills that would require reinstatement of the grant program as it relates to rural water and sewer development. The Congress clearly indicated its intention to support the development of water and sewer facilities in rural areas by the direct application of federal funds through the FHA in separate actions in 1961 and again in 1965. This intent was reinforced by passage of the Rural Development Act of 1972 in which Congress again indicated the policy direction expected of the Executive Branch.

It must be recognized that many rural communities simply cannot carry the bonded indebtedness for the whole cost of the needed water and sewer systems. In many rural areas the average incomes are low and have relatively light user populations. These communities cannot expect to pay off the debt while taking the other steps necessary to develop rural industry and attract a well-balanced population. The loan program administered by the FHA and supplemented in relatively small proportion by the grant program has demonstrated both the necessary administrative ability to handle the program and the responsiveness of local leaders to put these funds to good use.

The USDA cutoff of the grant program and the policy indication that henceforth only insured loans would be made available to these programs simply signals to rural community leaders that meaningful aid will no longer be available through the FHA.

Records indicate that for every dollar of development grants authorized by the FHA in recent years, that agency has made loans of approximately \$7.50. The agency has estimated that \$1 million in development funds represents approximately 80 man-years of employment. Given the proposed funding levels for Fiscal Year 1973 and 1974, this would mean the loss of approximately 85,000 man-years each year.

It seems callous indeed for the Administration to persist in the harsh cutoff of program funds authorized and appropriated by the Congress for REAP, FHA Emergency Loans and Water and Sewer grants so sorely needed in many rural communities of this country, while highly placed emissaries of the Executive

Branch travel about the world presumably making additional commitments for billions of dollars of U.S. aid to improve or rebuild facilities for citizens of other lands.

Again, we call upon the Congress to shoulder the responsibility to re-examine our priorities—now being so rapidly and drastically rearranged by the unilateral budget-cutting decisions of this Administration—and reaffirm emphasis on those programs which directly benefit the majority of our country's citizens.

Sincerely,

CHARLES L. FRAZIER,
Director, Washington Staff.

NATIONAL WILDLIFE FEDERATION,
Washington, D.C. February 26, 1973.

Hon. W. R. POAGE,
Chairman, Committee on Agriculture, U.S. House of Representatives,
Washington, D.C.

(Attention: Mrs. Christine Gallagher, clerk).

DEAR MR. CHAIRMAN: The National Wildlife Federation appreciates your invitation to comment on H.R. 3298, a bill to restore the Rural Water and Sewer Grant Program under the Consolidated Farm and Rural Development Act. We are submitting this letter to make our views a matter of public record.

The Federation admires the Chief Executive's determination to hold federal spending in check. He has adopted a fiscally-responsible stance which the overwhelming majority of Americans can appreciate and respect. Hence, we do not question the need for cuts in many popular and successful federal programs. But it seems to us that it is well within the realm of feasibility for Executive Branch budget experts to come up with a more equitable retrenchment scheme, one which does not require the complete termination of programs as sorely-needed and successful as the Rural Water and Sewer Grant Program and one which allocates more than two percent of the Federal Budget for enhancing environmental quality.

The National Wildlife Federation supports your efforts to reactivate the Rural Water and Sewer Grant Program through the passage of H.R. 3298. We are convinced that the Program is needed not only to enhance the quality of rural America's natural environment but, even more importantly, to safeguard the health and physical well-being of the millions of U.S. citizens residing in small rural communities.

To the best of our knowledge, there is no other federal program which small villages and towns can turn to for grant assistance in bridging the sizable gap between what is required in the way of water treatment facilities and what is fiscally practical. In this era of environmental enlightenment, there are few rural communities which are not fully aware of their water pollution problems and which are not anxious to take remedial action. However, it is fiscal suicide for most small villages to undertake the construction of costly water treatment plants unless financial assistance is available through the government. Generally, a village's limited tax base precludes such ventures.

Under any circumstances, the National Wildlife Federation fails to see the wisdom of promoting agricultural practices and programs, such as stream channelization projects, which exacerbate problems associated with rural water pollution. But such practices are especially unjustifiable if the Federal Government withdraws its financial support to rural communities desirous of resolving their pollution problems and ensuring a clean water supply. If the Administration is unwilling to support that kind of grant program, it should, at the very least, curtail the highly destructive and polluting stream channelization practices of the Soil Conservation Service and the Corps of Engineers. On the other hand, the White House could easily afford to keep the Rural Water and Sewer Grant Program funded and still realize a considerable annual dollar savings if some of the Nation's highly questionable water resource development projects were terminated.

In summary, the Federation takes the position that it is unwise, unrealistic, and unfair to terminate the Rural Water and Sewer Grant Program.

It is fiscally, socially, and environmentally unwise to discard a program which has contributed so materially to the construction of about 6500 rural water and sewage treatment plants, most since 1965, when such a substantial backlog of legitimate grant applications remains.

It is unrealistic to think that many small communities pack enough clout to receive sufficient funds through revenue-sharing to offset the federal water treatment grant money lost. Their meager share, on the average, will probably have to be used to finance less costly municipal ventures.

And last, it is eminently unfair to the millions of Americans residing in rural communities with 5500 people or less to be cast fiscally adrift by an Administration which professes a concern for environmental quality but which is, apparently, reluctant to back its philosophy with more than verbiage.

Hence, the National Wildlife Federation supports H.R. 3298.

Sincerely yours,

THOMAS L. KIMBALL,
Executive Vice President.

NATIONAL WILDLIFE FEDERATION
Washington, D.C. February 26, 1973

Hon. W. H. LOACH,
Chairman, Committee on Agriculture, U.S. House of Representatives,
Washington, D.C.

Attention: Mr. Christian (Baltimore office).

Dear Mr. Chairman: The National Wildlife Federation appreciates your invitation to comment on H.R. 3298, a bill to restore the Rural Water and Sewer Grant Program under the Consolidated Farm and Rural Development Act. We are submitting this letter to make our views a matter of public record.

The Federation admires the (High) Administration's determination to hold federal spending in check. He has adopted a fiscally responsible stance which the overwhelming majority of Americans can appreciate and respect. Hence, we do not question the need for cuts in many popular and successful federal programs. But it seems to us that it is well within the realm of feasibility for Executive branch budget experts to come up with a more equitable retrenchment scheme one which does not require the complete termination of programs as solely needed and suggested in the Rural Water and Sewer Grant Program and one which allocates more than two percent of the Federal Budget for maintaining environmental quality.

The National Wildlife Federation supports your efforts to reauthorize the Rural Water and Sewer Grant Program through the passage of H.R. 3298. We are convinced that the Program is needed not only to enhance the quality of rural America's natural environment but even more importantly, to safeguard the health and physical well-being of the millions of U.S. citizens residing in small rural communities.

To the best of our knowledge, there is no other federal program which small villages and towns can turn to for grant assistance in bridging the sizable gap between what is required in the way of water treatment facilities and what is actually provided. In this era of environmental enlightenment there are few rural communities which are not fully aware of their water pollution problems and which are not anxious to take immediate action. However, it is fiscal reality that most small villages to undertake the construction of costly water treatment plants must turn to the Federal Government for assistance through the government generally, and the Rural Water and Sewer Grant Program specifically.

Under any circumstances, the National Wildlife Federation fails to see the wisdom of providing agricultural practices and programs such as stream conservation projects which exacerbate the problems associated with rural water pollution. Rural programs are essential to maintaining the Federal Government's leadership in financial support to rural communities desiring to meet their pollution problems and ensure a clean water supply. If the Administration is unwilling to support that kind of grant program, it should, at the very least, curtail the highly restricted and polluting stream channelization practices of the Soil Conservation Service and the Corps of Engineers. In the other hand, the White House could easily afford to keep the Rural Water and Sewer Grant Program funded and still realize a considerable annual dollar savings if some of the Nation's highly questionable water resource development projects were terminated.

In summary, the Federation takes the position that it is unwise, unrealistic and unfair to terminate the Rural Water and Sewer Grant Program.

It is deeply, sadly, and environmentally minded to discuss a program which has contributed so materially to the construction of about 1500 rural water and sewage treatment plants since 1965, when such a substantial backlog of legitimate grant applications remained.



