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THE WHITE HOUSE  
WASHINGTON

October 18, 1976

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON *J. Cannon*

SUBJECT:

S. 3894

This is the bill Senator  
Buckley recommended you  
sign when you saw him in  
New York City last week.



APPROVED

OCT 19 1976

Statement issued 10/20/76

8 10/19/76

THE WHITE HOUSE  
WASHINGTON

ACTION  
Last Day: October 19

October 18, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Handwritten signature*

SUBJECT: S. 3894 Federal Water Pollution  
Control Act Amendments

Posted 10/20/76

Archives 10/20/76

Attached for your consideration is S. 3894, sponsored by Senator Baker of Tennessee and Senator Buckley of New York.

The enrolled bill provides authority for the Environmental Protection Agency to guarantee loans made by the Federal Financing Bank to municipalities to cover the local share of sewage treatment plant construction costs.

Similar funding ability was available from the Environmental Financing Authority which expired in 1975. No applications were received because the rate of construction growth was slower than was anticipated.

The bill was introduced mainly to assist those municipalities such as New York City, Buffalo and Detroit, that are now unable to raise their share of the cost of Federally required facilities.

A detailed discussion of the bill is provided in OMB's enrolled bill report at Tab

AGENCY RECOMMENDATIONS

The Council of Economic Advisors recommends disapproval, citing the possible Federal exposure "to some portion of 1.5 to 2.0 billion dollars in obligations" in FY 1977 and FY 1978. CEA also voiced concern as to EPA's lack of experience in making such loans.

The Department of the Treasury recommends disapproval because the "backdoor financing device" could result in an expanded Federal debt which would not be subject to Presidential and Congressional control.

OMB concurs with Treasury and CEA in their reasons for recommending disapproval, pointing out the considerable Federal aid already available to municipalities.



EPA recommends approval on the grounds that some communities have no other source of funding, and that the assistance is necessary to "the continued progress in cleaning up our nation's waters that the water program has made."

STAFF RECOMMENDATIONS

Max Friedersdorf, Bob Hartmann and Counsel's Office (Lazarus) recommend approval of S. 3894.

Bill Seidman recommends disapproval of S. 3894.

RECOMMENDATION

I recommend that you approve S. 3894.

The bill provides sufficient Administrative flexibility to control Federal exposure. Those municipalities currently unable to go to the bond market (New York City) or who are faced with interest rates as high as 10.58% (Buffalo) will be greatly aided by this bill.

DECISION

Approve S. 3894 at Tab B.

Approve signing statement at Tab C which has been cleared by Doug Smith.

Approve MSJ Disapprove \_\_\_\_\_

Veto S. 3894 and sign Memorandum of Disapproval at Tab D.







EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 14 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3894 - Federal Water  
Pollution Control Act Amendments  
Sponsors - Senator Baker (R) Tennessee  
and Sen. Buckley (R) New York

Last Day for Action

October 19, 1976 - Tuesday

Purpose

Provides authority for the Environmental Protection Agency (EPA) to guarantee loans made by the Federal Financing Bank to finance the non-Federal share of the construction costs of municipal sewage treatment works.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of Disapproval attached)
Department of the Treasury	Disapproval (Memorandum of Disapproval attached)
Council of Economic Advisers	Disapproval
Environmental Protection Agency	Approval

Background

The Federal Water Pollution Control Act Amendments of 1972 (FWPCA) greatly expanded the Federal Government's program for the construction of municipal sewage treatment facilities. Under the 1972 law, EPA provides Federal grants for 75 percent of the construction cost of a wide variety of treatment

facilities.

In addition to the Federal grants, the 1972 Act contained a provision, known as the "Environmental Financing Authority," which is similar to S. 3894. The Environmental Financing Authority expired in 1975 without ever having been utilized.

Last January, the Administration submitted amendments to the Clean Water Act which would reduce or eliminate the Federal grant share for ineffective program items such as collector sewers. The Senate Public Works Committee has responded favorably to the objectives of our legislative proposal, but has taken no legislative action.

#### Summary of the Enrolled Bill

S. 3894 would authorize EPA to guarantee loans to municipalities for that part of the cost of construction of sewage treatment facilities not funded by Federal grants. The loans could be made solely by the Federal Financing Bank (FFB).

The bill would require the Administrator of EPA to:

- make a finding that the project meets the requirements of the FWPCA and is eligible for a Federal grant;
- certify that the municipality is unable to obtain sufficient credit on reasonable terms without the guarantee; and,
- make a determination that there is a reasonable assurance that the municipality will repay the Federal loan.

The bill would also require the Secretary of the Treasury to make a determination of what constitutes reasonable terms for municipalities to borrow funds.

The legislative history indicates that if a municipality defaults on its repayment of a loan, the Administrator of EPA would be required to repay the Federal Financing Bank from appropriated funds.

The House and Senate water pollution control bills introduced in the 94th Congress each contained provisions similar in effect to S. 3894. EPA opposed these provisions in testimony and reports before congressional committees, and these bills died in conference. However, the loan guarantee provision was resurrected when S. 3894 was introduced and passed by both the House and the Senate without debate on October 1, 1976, the last day of the 94th Congress.

#### Discussion

S. 3894 is intended to replace the expired authority of the Environmental Financing Authority which was enacted in response to an initiative of the prior Administration in 1971 as a backstop loan program to the Federal grant program which provided 55 percent Federal cost sharing for waste treatment projects.

The Environmental Financing Authority was recommended because:

- the Federal Government was accelerating its efforts to improve municipal waste treatment, resulting in greater costs to municipalities;
- there were concerns that some municipalities -- primarily hardship cases -- may not be able to participate in the Federal waste treatment assistance programs because of financing problems; and,
- it was considered advantageous to provide loans in hardship cases, rather than increase the 55% Federal grant rate.

The 1972 Act incorporated the Environmental Financing Authority and increased the Federal grant rate to 75% as well.

During the period from 1972 until it expired in



1975, the Environmental Financing Authority did not receive any loan applications, because the municipal financing problems did not materialize as had been feared. This was due to (1) the higher Federal grant rate (75% rather than 55%) and (2) the slower than expected rate of growth in municipal sewage facility construction.

It was shortly after the expiration of the Environmental Financing Authority that the fiscal problems in New York City became apparent. Since that time, there have been several instances where New York State communities (including New York City) have had difficulty selling municipal bonds for sewage treatment facility construction. This in turn prompted the efforts of the New York delegation to revive Federal guaranteed loan authority in recent water pollution bills. During this same period, the Administration had already taken action to help New York City's finances in general, and in particular, EPA has recently reached an agreement with the city as to the timing and financing of new sewage treatment construction, including the provision of additional grant funds. However, there have been instances in other States also, where local financing is a problem - primarily in New Jersey and West Virginia. It can be expected that localities in these States would apply for Federal loans, in particular Buffalo and Long Island, communities in New York, and Detroit, Michigan.

There are, however, several other Federal programs available to finance sewage facility construction, including:

- HUD Community Development Block Grants (it is estimated that 35% of the total of \$3.24 billion in fiscal year 1977 will go to public facilities, of which water and sewer facilities are the largest part);
- Farmers Home Administration Grants and Loans directed to small communities (\$200M in fiscal year 1977 for grants for water and sewer facilities; 5% long-term loans as well); and,

-- Economic Development Administration - Local Public Works Development and Investment Program (this program is directed to those areas with high unemployment; \$2.0 billion is available in fiscal year 1977 for grants for public works projects, including sewage facilities).

The HUD and EPA programs are primarily directed to urban areas; the Farmers Home program is directed to small, primarily rural communities. There have been a number of instances where EPA 75% grants have been matched with Farmers Home Administration grants and loans.

Although S. 3894 is intended to continue the program previously assigned to the Environmental Financing Authority, the specific authorizing language differs in several significant respects. The most important difference is that S. 3894 would permit Federal loans to cover that portion of the construction cost ... "not paid for ..." with a Federal grant. Thus, projects which are eligible for Federal grants, but which have not yet received a grant because of Federal budgetary limitations, could apply for a 100% Federal loan. Any future Federal grant could then be used to repay portions of the loan. This could create a backdoor financing scheme which circumvents the Federal budgetary process. Although EPA and Treasury do not intend to implement the program in this manner, the possibility exists nonetheless.

Other concerns regarding budget status and controllability are also raised by S. 3894. The program is really a direct loan program with the cosmetic features of guarantees and FFB purchases. This puts the loans off-budget where they are neither counted or controlled in the budget process. Moreover, the bill lacks any of the customary provisions for payment of claims under a guarantee -- some of which would have brought the program under the scrutiny of the congressional budget and appropriations committees.

Agency Comments

Although EPA opposed this bill before Congress, the Agency recommends approval in its attached enrolled bill letter, noting that a number of communities are experiencing difficulty in raising the local share of sewage treatment construction costs.

The Council of Economic Advisers (CEA) and the Department of the Treasury recommend disapproval because of:

- the potential for high default rates;
- EPA's lack of experience in administering loan guarantee programs; and,
- the potential for circumventing Federal budgetary controls by obtaining loans in advance of appropriated grant funds.

Arguments for Approval

S. 3894 would:

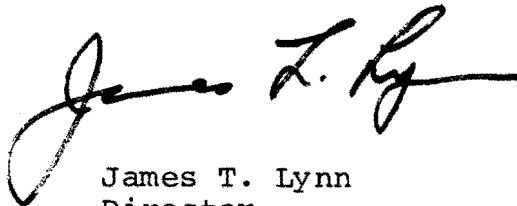
- assist in the continued program in cleaning up the Nation's waters in those cases where reasonable local financing is not available;
- provide sufficient administrative flexibility to ensure that only a minimum number of municipalities receive Federal loans;
- if vetoed, possibly posture you as opposing continued progress in sewage treatment construction, since a veto cannot be justified solely upon Federal budgetary considerations;
- be consistent with the concept of the Environmental Financing Authority, an Executive Branch initiative in 1971 -- sponsors would argue that it is a mere extension of authority; and,
- provide less of a subsidy than the Farmers Home program because it does recover the full cost of Federal borrowing.

Arguments against Approval

- the Federal Government already finances 75% of construction costs -- a Federal loan in addition to the grant extends the Federal role to an unacceptable degree;
- this is an excessively broad aid program to meet the narrowly perceived needs of a few special cases;
- the situation has changed greatly since 1971, when the Environmental Financing Authority was proposed. In particular: (1) the grant rate is now 75% and (2) a new HUD block grant program and EPA public works program, which include sewage facilities, are now in existence and the FmHA program has been streamlined and expanded;
- the bill would add to the proliferation of numerous competing, uncoordinated, and sometimes overlapping financial aid programs for the same basic purpose, in the absence of a cohesive overall central policy; and,
- the language of the bill may permit 100% loans from the Federal Financing Bank if Federal grant funds are lacking, thus setting up a situation where the loan must be followed by a 75% grant in later years circumventing program level controls established in the budget.

Recommendation

We believe the arguments against approval are stronger, and accordingly, we concur in the CEA and Treasury recommendations for disapproval. We have modified Treasury's Memorandum of Disapproval which we recommend for your consideration.



James T. Lynn  
Director

Enclosure



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OCT 8 1976

THE ADMINISTRATOR

Dear Mr. Lynn:

This is in response to your request of October 5, 1976, for the Environmental Protection Agency's views and comments on S. 3894 on an enrolled bill to amend the Federal Water Pollution Control Act.

The bill provides for a new section 213 - Loan Guarantees for Construction of Treatment Works. Under this provision a grantee, unable to finance the non-Federal share of the cost of constructing treatment works at a reasonable rate, may receive a loan guarantee from the Federal government. The Administrator of EPA is authorized to guarantee loans made by the Federal Financing Bank (by purchasing obligations issued by the grantee) for the non-Federal share of the construction costs.

In order for a grantee to be eligible to sell its bonds to the Federal Financing Bank, EPA must certify that the grantee is unable to obtain necessary credit on reasonable terms, and make a determination that there is a reasonable assurance of repayment of the loan. In determining whether there is reasonable assurance of repayment the Administrator requires a commitment which would apply to such repayment. Such commitment may include the use of user charges to insure repayment as well as future reimbursement funds paid to the grantee.


Furthermore, the Administrator may charge reasonable fees for the investigation of an application for a guarantee and for the issuance of a commitment to guarantee.

The bill also provides that determinations as to whether financing is available at reasonable rates will be made by the Secretary of the Treasury.

We at EPA recognize that some communities are experiencing difficulties in raising the local share for wastewater treatment projects. This amendment to the FWPCA should help to alleviate this situation and assist in the continued progress in cleaning up our Nation's waters that the water program has made.

The Environmental Protection Agency recommends the bill S. 3894 to the President for signature.

Sincerely yours,

  
Russell E. Train

Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D.C. 20503







STATEMENT BY THE PRESIDENT

I have today signed S. 3894, a bill to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. In the municipal area, this Administration obligated over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up, and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at 100 percent, as some have proposed.

The loan guarantees authorized by this bill will be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is a reasonable assurance of repayment of the loan. The Secretary of the Treasury will determine whether financing is available at reasonable rates. The Federal Financing Bank will loan the funds to a locality and EPA will guarantee payment of that loan. EPA could charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.

This legislation will assure that no community is prevented from participating in the municipal clean water campaign solely because of short-term inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. The bill I have signed will assure that communities will be able to finance projects without increasing the proportionate Federal share through grants.

*D*



MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 3894, a bill "To amend the Federal Water Pollution Control Act, as amended."

S. 3894 would authorize the Administrator of the Environmental Protection Agency to guarantee obligations of State and local agencies issued directly and exclusively to the Federal Financing Bank for the purpose of financing eligible sewage waste treatment construction projects under the Federal Water Pollution Control Act. There is no limitation on the amount of obligations which could be guaranteed under the proposal.

Under existing law, the Federal share of eligible sewage waste treatment project costs is 75 percent and is provided in the form of grants. S. 3894 would provide Federal loans, guaranteed by a Federal agency, for any remaining unfunded project costs and thus, would extend the Federal role to an undesirable degree.

While I am aware of some localized financing problems, I believe that these can be resolved without the need for a new Federal program. In those cases where local financing for sewage facility construction is a problem, there are currently three other Federal programs (in addition to EPA's grant program) which may provide financial assistance:

- HUD Community Development Block Grants;
- Farmers Home Administration grants and loans; and
- Economic Development Administration grants.

Finally, the language of S. 3894 could provide 100 percent Federal loans to municipalities that cannot immediately obtain Federal grants for sewage treatment facility construction.

This feature could result in the circumvention of Federal budgetary controls established for the underlying grant program. Moreover, the bill is technically deficient in that (1) there is no provision for payment of any loan guarantees in the event of default, and (2) there are inadequate safeguards to protect the Federal funds loaned.

Accordingly, I am unable to approve S. 3894.

**Department of Justice**  
**Washington, D.C. 20530**

October 14, 1976

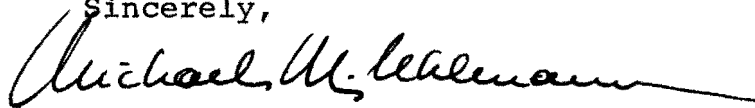
Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a copy of the enrolled bill S. 3894, a bill that would amend Title II of the Federal Water Pollution Control Act to provide for loan guarantees for construction of treatment works.

The Department of Justice defers to those agencies more directly concerned with the subject matter of the bill as to whether it should receive Executive approval.

Sincerely,



Michael M. Uhlmann  
Assistant Attorney General

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 1230pm

FOR ACTION: Paul Leach *with* cc (for information): Mike Duval  
 Max Friedersdorf *sign* Steve McConahey *approved*  
 Bill Seidman *veto* George Humphreys Ed Schmults  
 Robert Hartmann *Bobbie Kilberg sign*

FROM THE STAFF SECRETARY

DUE: Date: October 16

Time: noon

SUBJECT:

S.3894-Federal Water Pollution Control Act Amendments

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 3894, a bill "To amend the Federal Water Pollution Control Act, as amended."

S. 3894 would authorize the Administrator of the Environmental Protection Agency to guarantee obligations of State and local agencies issued directly and exclusively to the Federal Financing Bank for the purpose of financing eligible sewage waste treatment construction projects under the Federal Water Pollution Control Act. There is no limitation on the amount of obligations which could be guaranteed under the proposal.

Under existing law, the Federal share of eligible sewage waste treatment project costs is 75 percent and is provided in the form of grants. S. 3894 would provide Federal loans, guaranteed by a Federal agency, for any remaining unfunded project costs and thus, would extend the Federal role to an undesirable degree.

There is currently little evidence of national need for this legislation. While I am aware of some localized financing problems, I believe that these can be resolved without the need for a new Federal program. In those cases where local financing for sewage facility construction is a problem, there are currently three other Federal programs (in addition to EPA's grant program) which may provide financial assistance:

- HUD Community Development Block Grants;
- Farmers Home Administration grants and loans; and
- Economic Development Administration grants.



Finally, the language of S. 3894 could provide 100 percent Federal loans to municipalities that cannot immediately obtain Federal grants for sewage treatment facility construction. This feature could result in the circumvention of Federal budgetary controls established for the underlying grant program. Moreover, the bill is technically deficient in that (1) there are inadequate safeguards to protect the Federal interest and (2) there is no provision for payment of any loan guarantees in the event of default.

Accordingly, I am unable to approve S. 3894.

THE WHITE HOUSE  
October , 1976



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

October 11, 1976

Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Assistant Director for Legislative  
Reference

Sir:

This letter responds to your request for the views of this Department on the enrolled enactment of S. 3894, "To amend the Federal Water Pollution Control Act, as amended."

The Department recommends that the enrolled enactment not be approved by the President. A proposed Memorandum of Disapproval is enclosed.

Sincerely yours,



George H. Dixon

Enclosure

MEMORANDUM OF DISAPPROVAL

I am withholding my approval of S. 3894.

S. 3894 would authorize the Administrator of the Environmental Protection Agency to guarantee obligations of State and local agencies issued directly and exclusively to the Federal Financing Bank for the purpose of financing eligible waste treatment construction projects under the Federal Water Pollution Control Act. There is no limitation on the amount of obligations which would be guaranteed under the proposal.

Under existing law, the Federal share of eligible project costs is 75 percent and is provided in the form of grants. The inclusion of grant payments in total Federal outlays allows program expansion to be controlled under the Presidential review and Congressional appropriations process. This proposal would provide, however, that sponsors of eligible projects could seek guaranteed financing outside of the budget process for 100 percent of project costs and thus could finance in advance the Federal grant of three-quarters of project costs.

Consequently, the net effect of the proposal would be (1) to provide Federal credit assistance to finance the 25 percent local share of project costs which is now financed without Federal aid, and (2) to remove the 75 percent grant program from current budget outlays and from the appropriation process (though budget outlays would be required in later years for the 75 percent grants which localities could then use to repay their guaranteed loans).

I view this proposal as a highly undesirable backdoor financing device. The bill could result in a substantial expansion in program activity, and in Federal debt, which would not be subject to Presidential and Congressional control. Moreover, because eligibility would be limited to projects unable to obtain credit in the market on reasonable terms, there could be substantial defaults which would require subsequent appropriations to make payments under the guarantee contracts.

I, therefore, return S. 3894 without my approval.

The White House

October , 1976

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 8, 1976

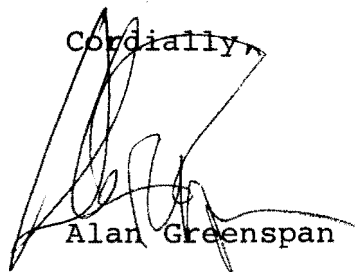
Dear Mr. Frey:

The Council of Economic Advisers recommends that the President veto S. 3894, an Act "to Amend the Federal Water Pollution Control Act."

The bill provides for the Environmental Protection Agency to guarantee obligations of local governments for financing the construction of sewerage treatment plants. The Federal Government would be exposed to some portion of 1.5 to 2.0 billion dollars in obligations in each of Fiscal 1977 and Fiscal 1978, depending on the rate of default. Because EPA has no experience on loan guarantees of this type to municipal governments there is no basis for estimating the default rate. However, the extent of default could be high, since many of the cities that would be eligible for the guarantees do not collect separate charges for water and sewerage, financing these services out of general revenues. Thus it would be difficult for the administrator of EPA to determine that there is reasonable assurance of repayment aside from evaluating the cities' overall financial condition, which caused their non-guaranteed financing problem in the first place.

Given the size of the exposure, EPA's lack of experience in making such loans, there seems to be substantial risk of developing a large and uneconomic program. Since some part of these services are provided small communities now by the Farmer's Home Administration, then this program should not be put into plan at this time.

Cordially,



Alan Greenspan



Mr. James Frey  
Assistant Director for Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

OCT 14 1976

To: J. Johnston  
10-15-76  
11:00 a.m.

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3894 - Federal Water Pollution Control Act Amendments  
Sponsors - Senator Baker (R) Tennessee and Sen. Buckley (R) New York

Last Day for Action

October 19, 1976 - Tuesday

Purpose

Provides authority for the Environmental Protection Agency (EPA) to guarantee loans made by the Federal Financing Bank to finance the non-Federal share of the construction costs of municipal sewage treatment works.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of Disapproval attached)
Department of the Treasury	Disapproval (Memorandum of Disapproval attached)
Council of Economic Advisers	Disapproval
Environmental Protection Agency	Approval

Background

The Federal Water Pollution Control Act Amendments of 1972 (FWPCA) greatly expanded the Federal Government's program for the construction of municipal sewage treatment facilities. Under the 1972 law, EPA provides Federal grants for 75 percent of the construction cost of a wide variety of treatment



MAX - pls ok

O.K. - M.M.F.

PRESIDENTIAL SIGNING STATEMENT ON LOAN GUARANTEE  
PROGRAM FOR CONSTRUCTION OF WASTE TREATMENT WORKS

I am today signing legislation to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. It has been estimated that 80 to 90 percent of industrial firms will be in compliance with the statutory requirements of the Federal Water Pollution Control Act. In the municipal area, ~~we~~ <sup>THIS ADMINISTRATION</sup> obligated over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at a 100 percent, as some have proposed.

These loan guarantees would be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is



a reasonable assurance of repayment of the loan. The Secretary of the Treasury would determine whether financing is available at reasonable rates. The Federal Financing Bank would loan the funds to a locality and EPA would guarantee payment of that loan. EPA could charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.

FISCALLY RESPONSIBLE

This legislation will assure that no <sup>SHORT-TERM</sup> community is prevented from participating in the municipal clean water campaign because of inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. This legislation I am signing will assure that communities will be able to finance projects without increasing the Federal share.



PRESIDENTIAL SIGNING STATEMENT ON LOAN GUARANTEE  
PROGRAM FOR CONSTRUCTION OF WASTE TREATMENT WORKS

*have signed S. 3894, a bill*

I am today ~~signing legislation~~ to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. It has been estimated that 80 to 90 percent

of <sup>major</sup> industrial firms will be in compliance with the statutory requirements of the Federal Water Pollution Control Act. In <sup>by next July.</sup> the municipal area, ~~EPA~~ <sup>THIS ADMINISTRATION</sup> obligated over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at a 100 percent, as some have proposed.

<sup>the</sup> ~~These~~ loan guarantees, <sup>authorized by this bill will</sup> ~~would~~ be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is

a reasonable assurance of repayment of the loan. The Secretary of the Treasury <sup>will</sup> ~~would~~ determine whether financing is available at reasonable rates. The Federal Financing Bank <sup>will</sup> ~~would~~ loan the funds to a locality and EPA <sup>will</sup> ~~would~~ guarantee payment of that loan. EPA <sup>may</sup> ~~could~~ charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.

FISCALLY RESPONSIBLE

This legislation will assure that no <sup>A</sup>community is prevented from participating in the municipal clean water campaign because of <sup>SHORT-TERM</sup> inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. <sup>the bill I have signed</sup> ~~This legislation~~

~~I am signing~~ will assure that communities will be able to finance projects without increasing the Federal <sup>proportionate amount of funding</sup> ~~share~~ <sup>represented by</sup> ~~share~~ <sup>grant.</sup>

Proportional Federal share through grants.

OK as added  
RF

THE WHITE HOUSE  
WASHINGTON

Judy:

Even though this has been revised again, here is the researched copy of the Signing Statement.

Neta

PRESIDENTIAL SIGNING STATEMENT ON LOAN GUARANTEE PROGRAM FOR CONSTRUCTION OF WASTE TREATMENT WORKS

*murk*

*410  
to Res  
10/19 9:30  
GAm to DSS  
10/19 11:05  
GAm*

I am today signing legislation to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. It has been estimated that ~~80~~ *80 to 90* percent

of industrial firms will be in compliance with the statutory requirements of the Federal Water Pollution Control Act. In

*THIS ADMINISTRATION*

the municipal area, ~~we~~ obligated over \$4 billion for waste treatment plants last year and expects to obligate from

\$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at a 100 percent, as some have proposed.

These loan guarantees would be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is

*Presidential  
10/19*

*11*



a reasonable assurance of repayment of the loan. The Secretary of the Treasury would determine whether financing is available at reasonable rates. The Federal Financing Bank would loan the funds to a locality and EPA would guarantee payment of that loan. EPA could charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.

*FISCALLY RESPONSIBLE*

This legislation will assure that no <sup>SHORT-TERM</sup> community is prevented from participating in the municipal clean water campaign because of inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. This legislation I am signing will assure that communities will be able to finance projects without increasing the Federal share.



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 14 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3894 - Federal Water  
Pollution Control Act Amendments  
Sponsors - Senator Baker (R) Tennessee  
and Sen. Buckley (R) New York

Last Day for Action

October 19, 1976 - Tuesday

Purpose

Provides authority for the Environmental Protection Agency (EPA) to guarantee loans made by the Federal Financing Bank to finance the non-Federal share of the construction costs of municipal sewage treatment works.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of Disapproval attached)
Department of the Treasury	Disapproval (Memorandum of Disapproval attached)
Council of Economic Advisers	Disapproval
Environmental Protection Agency	Approval

Background

The Federal Water Pollution Control Act Amendments of 1972 (FWPCA) greatly expanded the Federal Government's program for the construction of municipal sewage treatment facilities. Under the 1972 law, EPA provides Federal grants for 75 percent of the construction cost of a wide variety of treatment

facilities.

In addition to the Federal grants, the 1972 Act contained a provision, known as the "Environmental Financing Authority," which is similar to S. 3894. The Environmental Financing Authority expired in 1975 without ever having been utilized.

Last January, the Administration submitted amendments to the Clean Water Act which would reduce or eliminate the Federal grant share for ineffective program items such as collector sewers. The Senate Public Works Committee has responded favorably to the objectives of our legislative proposal, but has taken no legislative action.

#### Summary of the Enrolled Bill

S. 3894 would authorize EPA to guarantee loans to municipalities for that part of the cost of construction of sewage treatment facilities not funded by Federal grants. The loans could be made solely by the Federal Financing Bank (FFB).

The bill would require the Administrator of EPA to:

- make a finding that the project meets the requirements of the FWPCA and is eligible for a Federal grant;
- certify that the municipality is unable to obtain sufficient credit on reasonable terms without the guarantee; and,
- make a determination that there is a reasonable assurance that the municipality will repay the Federal loan.

The bill would also require the Secretary of the Treasury to make a determination of what constitutes reasonable terms for municipalities to borrow funds.

The legislative history indicates that if a municipality defaults on its repayment of a loan, the Administrator of EPA would be required to repay the Federal Financing Bank from appropriated funds.

The House and Senate water pollution control bills introduced in the 94th Congress each contained provisions similar in effect to S. 3894. EPA opposed these provisions in testimony and reports before congressional committees, and these bills died in conference. However, the loan guarantee provision was resurrected when S. 3894 was introduced and passed by both the House and the Senate without debate on October 1, 1976, the last day of the 94th Congress.

### Discussion

S. 3894 is intended to replace the expired authority of the Environmental Financing Authority which was enacted in response to an initiative of the prior Administration in 1971 as a backstop loan program to the Federal grant program which provided 55 percent Federal cost sharing for waste treatment projects.

The Environmental Financing Authority was recommended because:

- the Federal Government was accelerating its efforts to improve municipal waste treatment, resulting in greater costs to municipalities;
- there were concerns that some municipalities -- primarily hardship cases -- may not be able to participate in the Federal waste treatment assistance programs because of financing problems; and,
- it was considered advantageous to provide loans in hardship cases, rather than increase the 55% Federal grant rate.

The 1972 Act incorporated the Environmental Financing Authority and increased the Federal grant rate to 75% as well.

During the period from 1972 until it expired in



1975, the Environmental Financing Authority did not receive any loan applications, because the municipal financing problems did not materialize as had been feared. This was due to (1) the higher Federal grant rate (75% rather than 55%) and (2) the slower than expected rate of growth in municipal sewage facility construction.

It was shortly after the expiration of the Environmental Financing Authority that the fiscal problems in New York City became apparent. Since that time, there have been several instances where New York State communities (including New York City) have had difficulty selling municipal bonds for sewage treatment facility construction. This in turn prompted the efforts of the New York delegation to revive Federal guaranteed loan authority in recent water pollution bills. During this same period, the Administration had already taken action to help New York City's finances in general, and in particular, EPA has recently reached an agreement with the city as to the timing and financing of new sewage treatment construction, including the provision of additional grant funds. However, there have been instances in other States also, where local financing is a problem - primarily in New Jersey and West Virginia. It can be expected that localities in these States would apply for Federal loans, in particular Buffalo and Long Island, communities in New York, and Detroit, Michigan.

There are, however, several other Federal programs available to finance sewage facility construction, including:

- HUD Community Development Block Grants (it is estimated that 35% of the total of \$3.24 billion in fiscal year 1977 will go to public facilities, of which water and sewer facilities are the largest part);
- Farmers Home Administration Grants and Loans directed to small communities (\$200M in fiscal year 1977 for grants for water and sewer facilities; 5% long-term loans as well); and,

-- Economic Development Administration - Local Public Works Development and Investment Program (this program is directed to those areas with high unemployment; \$2.0 billion is available in fiscal year 1977 for grants for public works projects, including sewage facilities).

The HUD and EPA programs are primarily directed to urban areas; the Farmers Home program is directed to small, primarily rural communities. There have been a number of instances where EPA 75% grants have been matched with Farmers Home Administration grants and loans.

Although S. 3894 is intended to continue the program previously assigned to the Environmental Financing Authority, the specific authorizing language differs in several significant respects. The most important difference is that S. 3894 would permit Federal loans to cover that portion of the construction cost ... "not paid for ..." with a Federal grant. Thus, projects which are eligible for Federal grants, but which have not yet received a grant because of Federal budgetary limitations, could apply for a 100% Federal loan. Any future Federal grant could then be used to repay portions of the loan. This could create a backdoor financing scheme which circumvents the Federal budgetary process. Although EPA and Treasury do not intend to implement the program in this manner, the possibility exists nonetheless.

Other concerns regarding budget status and controllability are also raised by S. 3894. The program is really a direct loan program with the cosmetic features of guarantees and FFB purchases. This puts the loans off-budget where they are neither counted or controlled in the budget process. Moreover, the bill lacks any of the customary provisions for payment of claims under a guarantee -- some of which would have brought the program under the scrutiny of the congressional budget and appropriations committees.

### Agency Comments

Although EPA opposed this bill before Congress, the Agency recommends approval in its attached enrolled bill letter, noting that a number of communities are experiencing difficulty in raising the local share of sewage treatment construction costs.

The Council of Economic Advisers (CEA) and the Department of the Treasury recommend disapproval because of:

- the potential for high default rates;
- EPA's lack of experience in administering loan guarantee programs; and,
- the potential for circumventing Federal budgetary controls by obtaining loans in advance of appropriated grant funds.

### Arguments for Approval

S. 3894 would:

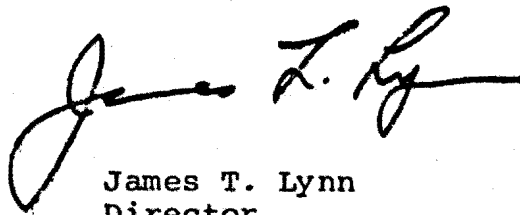
- assist in the continued program in cleaning up the Nation's waters in those cases where reasonable local financing is not available;
- provide sufficient administrative flexibility to ensure that only a minimum number of municipalities receive Federal loans;
- if vetoed, possibly posture you as opposing continued progress in sewage treatment construction, since a veto cannot be justified solely upon Federal budgetary considerations;
- be consistent with the concept of the Environmental Financing Authority, an Executive Branch initiative in 1971 -- sponsors would argue that it is a mere extension of authority; and,
- provide less of a subsidy than the Farmers Home program because it does recover the full cost of Federal borrowing.

### Arguments against Approval

- the Federal Government already finances 75% of construction costs -- a Federal loan in addition to the grant extends the Federal role to an unacceptable degree;
- this is an excessively broad aid program to meet the narrowly perceived needs of a few special cases;
- the situation has changed greatly since 1971, when the Environmental Financing Authority was proposed. In particular: (1) the grant rate is now 75% and (2) a new HUD block grant program and EPA public works program, which include sewage facilities, are now in existence and the FmHA program has been streamlined and expanded;
- the bill would add to the proliferation of numerous competing, uncoordinated, and sometimes overlapping financial aid programs for the same basic purpose, in the absence of a cohesive overall central policy; and,
- the language of the bill may permit 100% loans from the Federal Financing Bank if Federal grant funds are lacking, thus setting up a situation where the loan must be followed by a 75% grant in later years circumventing program level controls established in the budget.

### Recommendation

We believe the arguments against approval are stronger, and accordingly, we concur in the CEA and Treasury recommendations for disapproval. We have modified Treasury's Memorandum of Disapproval which we recommend for your consideration.



James T. Lynn  
Director

Enclosure

10/21

Ron-



To add to the bill

file, pls.

Kate

PRESIDENTIAL SIGNING STATEMENT ON LOAN GUARANTEE  
PROGRAM FOR CONSTRUCTION OF WASTE TREATMENT WORKS

have today signed S. 3894, a bill

I ~~am today signing legislation~~ to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. ~~It has been estimated that 80 to 90 percent of~~ <sup>major</sup> ~~industrial firms will be in compliance with the statutory requirements of the Federal Water Pollution Control Act.~~ <sup>by next July.</sup> In ~~the municipal area,~~ <sup>THIS ADMINISTRATION</sup> ~~we~~ obligated over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up, and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at a 100 percent, as some have proposed.

<sup>The</sup> ~~These~~ loan guarantees <sup>authorized by this bill will</sup> ~~would~~ be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is



a reasonable assurance of repayment of the loan. The Secretary of the Treasury <sup>will</sup> ~~would~~ determine whether financing is available at reasonable rates. The Federal Financing Bank <sup>will</sup> ~~would~~ loan the funds to a locality and EPA <sup>will</sup> ~~would~~ guarantee payment of that loan. EPA could charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.

This legislation will assure that no <sup>FISCAL RESPONSIBILITY</sup> community is prevented from participating in the municipal clean water campaign <sup>solely</sup> because of <sup>SHORT-TERM</sup> inability to obtain financing. This is particularly

important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. <sup>the bill I have signed</sup> ~~This legislation~~ ~~I am signing~~ will assure that communities will be able to finance projects without increasing ~~the Federal share.~~

✓ the proportionate Federal share through grants.



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PROGRAM FOR CONSTRUCTION OF WASTE TREATMENT WORKS

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~~Executive Order~~  
~~Agreement~~  
This legislation will assure that no <sup>^</sup>community is prevented from participating in the municipal clean water campaign, <sup>Solely</sup> because of <sup>SHORT-TERM</sup> inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. ~~This legislation~~ <sup>the bill I have signed</sup> ~~I am signing~~ will assure that communities will be able to finance projects without increasing the ~~Federal share~~.

<sup>^</sup> the proportionate Federal share through grants.



PRESIDENTIAL SIGNING STATEMENT ON LOAN GUARANTEE  
PROGRAM FOR CONSTRUCTION OF WASTE TREATMENT WORKS

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I ~~am today signing legislation~~ to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. ~~It has been estimated that 80 to 90 percent of industrial firms will be in compliance with the statutory requirements of the Federal Water Pollution Control Act.~~ *Major* ~~of industrial firms will be in compliance with the statutory requirements of the Federal Water Pollution Control Act.~~ *by next July.* In ~~the municipal area,~~ *THIS ADMINISTRATION* ~~obligated~~ over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up, and fishing, boating, and other recreational areas are being opened up across the country.

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~~Examine~~  
~~assurances~~

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<sup>^</sup> the proportionate Federal share through grants.



STATEMENT BY THE PRESIDENT

I have today signed S. 3894, a bill to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. In the municipal area, this Administration obligated over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up, and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at 100 percent, as some have proposed.

The loan guarantees authorized by this bill will be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is a reasonable assurance of repayment of the loan. The Secretary of the Treasury will determine whether financing is available at reasonable rates. The Federal Financing Bank will loan the funds to a locality and EPA will guarantee payment of that loan. EPA could charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.



This legislation will assure that no community is prevented from participating in the municipal clean water campaign solely because of short-term inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. The bill I have signed will assure that communities will be able to finance projects without increasing the proportionate Federal share through grants.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 1230pm

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bill Seidman  
Robert Hartmann

cc (for information): Mike Duval  
Steve McConahey  
Ed Schmults

Bobbie Kilberg

FROM THE STAFF SECRETARY

DUE: Date: October 16

Time: noon

SUBJECT:

S.3894-Federal Water Pollution Control Act Amendments

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Recommend approval for return  
Set forth at p. 6 of OMB  
memo  
Ken Layman*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

THE WHITE HOUSE

ACT MEMORANDUM

WASHINGTON

LOG NO.:

10/15

Date: October 15

Time: 1230pm

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bill Seidman  
Robert Hartmann

cc (for information): Mike Duval  
Steve McConahey  
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Bobbie Kilberg

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- Draft Remarks

REMARKS:

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James M. Cannon  
For the President





THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 1230pm

FOR ACTION: Paul Leach  
 Max Friedersdorf  
 Bill Seidman  
 Robert Hartmann

*m.f.* cc (for information):  
 Mike Duval  
 Steve McConahey  
 Ed Schmults

Bobbie Kilberg

FROM THE STAFF SECRETARY

DUE: Date: October 16

Time: noon

SUBJECT:

S.3894-Federal Water Pollution Control Act Amendments

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

REMARKS:

please return to judy johnston, ground floor west wing

*Sign*

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James M. Cannon  
For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 1230pm

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bill Seidman  
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cc (for information): Mike Duval  
Steve McConahey  
Ed Schmults

Bobbie Kilberg

FROM THE STAFF SECRETARY

DUE: Date: October 16

Time: noon

SUBJECT:

S.3894-Federal Water Pollution Control Act Amendments

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Disapproval  
JMS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

10/15/76 - 3:00 pm  
n

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 1230pm

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bill Seidman  
Robert Hartmann

cc (for information): Mike Duval  
Steve McConahey  
Ed Schmults

Bobbie Kilberg

FROM THE STAFF SECRETARY

DUE: Date: October 16

Time: noon

SUBJECT:

S.3894-Federal Water Pollution Control Act Amendments

ACTION REQUESTED:

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

X For Your Comments

\_\_\_ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

10/15/76 - Copy sent for researching: mm

10/16/76 - Researched copy returned. sp

*Edited  
rj*

*Recommend  
Approval*

*RAJ*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon  
For the President

10/15/76 - 3:00 pm  
n

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 1230pm

*Handwritten initials and signature*

FOR ACTION: Paul Leach  
Max Friedersdorf  
Bill Seidman  
Robert Hartmann ~~Bobbie Kilberg~~

cc (for information): Mike Duval  
Steve McConahey  
Ed Schmults

FROM THE STAFF SECRETARY

*Handwritten notes:*  
394  
to Res  
10/15 4:54  
to DJS  
10/16 10:00  
GAM

DUE: Date: October 16

Time: noon

SUBJECT:

S.3894-Federal Water Pollution Control Act Amendments

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

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James M. Cannon  
For the President

MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 3894, a bill  
"To amend the Federal Water Pollution Control Act, as  
amended."

*Back-up*  
S. 3894 would authorize the Administrator of the  
Environmental Protection Agency to guarantee obligations  
of State and local agencies issued directly and exclusively  
to the Federal Financing Bank for the purpose of financing  
eligible sewage waste treatment construction projects under  
the Federal Water Pollution Control Act. There is no limitation  
on the amount of obligations which could be guaranteed under  
the proposal.

Under existing law, the Federal share of eligible  
sewage waste treatment project costs is 75 percent and is  
provided in the form of grants. S. 3894 would provide  
Federal loans, guaranteed by a Federal agency, for any  
remaining unfunded project costs and thus, would extend the  
Federal role to an undesirable degree.

There is currently little evidence of national need for  
this legislation. While I am aware of some localized financing  
problems, I believe that these can be resolved without the  
need for a new Federal program. In those cases where local  
financing for sewage facility construction is a problem,  
there are currently three other Federal programs (in addition  
to EPA's grant program) which may provide financial assistance:

- HUD Community Development Block Grants;
- Farmers Home Administration grants and loans; and
- Economic Development Administration grants.

Finally, the language of S. 3894 could provide 100 percent Federal loans to municipalities that cannot immediately obtain Federal grants for sewage treatment facility construction. This feature could result in the circumvention of Federal budgetary controls established for the underlying grant program. Moreover, the bill is technically deficient in that (1) there are inadequate safeguards to protect the Federal interest and (2) there is no provision for payment of any loan guarantees in the event of default.

Accordingly, I am unable to approve S. 3894.

THE WHITE HOUSE  
October , 1976

MEMORANDUM OF DISAPPROVAL

I am withholding my approval from S. 3894, a bill "To amend the Federal Water Pollution Control Act, as amended."

S. 3894 would authorize the Administrator of the Environmental Protection Agency to guarantee obligations of State and local agencies issued directly and exclusively to the Federal Financing Bank for the purpose of financing eligible sewage waste treatment construction projects under the Federal Water Pollution Control Act. There is no limitation on the amount of obligations which could be guaranteed under the proposal.

Under existing law, the Federal share of eligible sewage waste treatment project costs is 75 percent and is provided in the form of grants. S. 3894 would provide Federal loans, guaranteed by a Federal agency, for any remaining unfunded project costs and thus, would extend the Federal role to an undesirable degree.

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(2) there are inadequate safeguards to protect the Federal *funds* ~~loans~~ and ~~interest~~ and (1) there is no provision for payment of any loan guarantees in the event of default, *and*

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THE WHITE HOUSE

October , 1976

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Finally, the language of S. 3894 could provide 100 percent Federal loans to municipalities that cannot immediately obtain Federal grants for sewage treatment facility construction.



This feature could result in the circumvention of Federal budgetary controls established for the underlying grant program. Moreover, the bill is technically deficient in that (1) there is no provision for payment of any loan guarantees in the event of default, and (2) there are inadequate safeguards to protect the Federal funds loaned.

Accordingly, I am unable to approve S. 3894.

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To amend the Federal Water Pollution Control Act, as amended.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title II of the Federal Water Pollution Control Act, as amended, is amended by adding the following new section:*

### “LOAN GUARANTEES FOR CONSTRUCTION OF TREATMENT WORKS

“SEC. 213. (a) Subject to the conditions of this section and to such terms and conditions as the Administrator determines to be necessary to carry out the purposes of this title, the Administrator is authorized to guarantee, and to make commitments to guarantee, the principal and interest (including interest accruing between the date of default and the date of the payment in full of the guarantee) of any loan, obligation, or participation therein of any State, municipality, or intermunicipal or interstate agency issued directly and exclusively to the Federal Financing Bank to finance that part of the cost of any grant-eligible project for the construction of publicly owned treatment works not paid for with Federal financial assistance under this title (other than this section), which project the Administrator has determined to be eligible for such financial assistance under this title, including, but not limited to, projects eligible for reimbursement under section 206 of this title.

“(b) No guarantee, or commitment to make a guarantee, may be made pursuant to this section—

“(1) unless the Administrator certifies that the issuing body is unable to obtain on reasonable terms sufficient credit to finance its actual needs without such guarantee; and

“(2) unless the Administrator determines that there is a reasonable assurance of repayment of the loan, obligation, or participation therein.

A determination of whether financing is available at reasonable rates shall be made by the Secretary of the Treasury with relationship to the current average yield on outstanding marketable obligations of municipalities of comparable maturity.

“(c) The Administrator is authorized to charge reasonable fees for the investigation of an application for a guarantee and for the issuance of a commitment to make a guarantee.

“(d) The Administrator, in determining whether there is a reasonable assurance of repayment, may require a commitment which would apply to such repayment. Such commitment may include, but not be limited to, (1) all or any portion of the funds retained by such grantee under section 204(b)(3) of this Act, and (2) any funds received by such grantee from the amounts appropriated under section 206 of this Act.”.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*

OCTOBER 20, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I have signed S. 3894, a bill to provide loan guarantees for construction of municipal waste water treatment plants.

Under my Administration, we have been pursuing a massive program to clean up the Nation's waterways, and progress has been heartening. In the municipal area, this Administration obligated over \$4 billion for waste treatment plants last year and expects to obligate from \$5 to \$6 billion in the current fiscal year. From these efforts, rivers, lakes and coastal waters across the country are being cleaned up, and fishing, boating, and other recreational areas are being opened up across the country.

Despite the progress that is being made, some communities face difficulties in raising the local share of funds for waste water treatment plant construction. I believe strongly that local governments must be a financial partner in this program, and strongly oppose Federal financing of some treatment plant projects at 100 percent, as some have proposed.

The loan guarantees authorized by this bill will be available to communities only when they are unable to obtain sufficient credit on reasonable terms without a guarantee, and only when EPA determines there is a reasonable assurance of repayment of the loan. The Secretary of the Treasury will determine whether financing is available at reasonable rates. The Federal Financing Bank will loan the funds to a locality and EPA will guarantee payment of that loan. EPA could charge fees for its expenses in reviewing an application and for the issuance of a commitment to make a guarantee.

This legislation will assure that no community is prevented from participating in the municipal clean water campaign solely because of short-term inability to obtain financing. This is particularly important since communities must meet regulatory requirements under the Federal Water Pollution Control Act. The bill I have signed will assure that communities will be able to finance projects without increasing the proportionate Federal share through grants.

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