

Hansen is hopeful REA will aid WPPSS solution

By BEN J. PLASTINO

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WASHINGTON — Rep. George Hansen, R-Idaho, said Wednesday Rural Electrician Administration administrator has agreed to cooperate in solving the vexing Washington Public Power Supply System dilemma.

Hansen noted conciliatory moves were expressed by Harold Hunter, REA administrator, after he (Hansen) castigated the agency for what he said was coercion in urging local electric cooperatives to make WPPSS payments.

He also had written Secretary of Agriculture John R. Block about the REA's tactics, complaining the REA appears to have been overly protective for the WPPSS underwriters.

Hansen reported Hunter came to his office in reply to his inquiries he sent the REA and Block on the matter.

Hansen disclosed he sent a letter to Hunter outlining the complex problem and expressing hope the REA will take a more sympathetic attitude for the local electrification cooperatives, such as the Fall River REA at Ashton and Raft River REA near Burley.

"Both your agency and I are rightfully concerned about the effect of the WPPSS situation on the continued operation of those electric cooperatives which look to REA for financial advice and assistance," Hansen said he had written Hunter. "My concern is that REA not be perceived as coercing the cooperatives to make payments to WPPSS before the legal liability of the group is determined by a court of competent jurisdiction."

Hansen noted he had urged all parties through BPA Administrator Peter Johnson, and Secretary of Energy Don Hodel and Secretary of Interior James Watt that such court decisions may not be as desirable as a negotiated arrangements among the entities involved in WPPSS. This also includes the federal government, bond underwriters and participants, he noted.

Hansen expressed hope the REA will approve and process loans normally, rather use undue pressures against the local cooperatives.

He also observed Edward Kresky, BPA financial advisor has said "the financial community feels that the 88 utilities are able to pay but won't. He said if this is true, "How does it bear on the mandate of REA and BPA to service and protect the legal rights of these entities and not

the Wall Street community?"

"I think that it is past time for BPA and REA to make it clear whose interests they are protecting in this scandalous matter," said Hansen.

Hansen also noted another prime question is how were the ratings for the bonds arranged so they were at variance with the known facts regarding the condition of the project. He added only one of five proposed

nuclear projects has immediate prospects of being completed.

He said "I am disturbed that the two principal government agencies, involved, BPA and REA, have demonstrated more interest in forcing the participants to pay than in determining whether there was any impropriety involved. The participants will to the extent they have the capacity to pay what they owe on the WPPSS projects."

ERTA cuts state revenues, aids rich

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WASHINGTON — The Economic Recovery Tax Act has actually benefitted high-income taxpayers and large corporations and sliced state revenues, Robert J. Reinshuttle, director for public finances and taxation of the Council of State Government, said Thursday.

He said the concept of supply-side economics is to place additional monies in the hands of private sector investors to stimulate the economy.

"However," said Reinshuttle, "many corporations and individual investors have used this windfall to pay existing debts. They have held the balance in reserve for use when the economy improves."

"Clearly, this was not the response expected by the majority of Congress and the administration when ERTA was adopted. The results have further exacerbated the problems of high unemployment and contributed to a hemorrhaging federal budget deficit."

He then observed ERTA also has not helped the states because many state tax statutes are tied to the federal tax code. Thus when the federal government lowered individual corporate income taxes, these states also felt a loss of income.

Reinshuttle commented states such as Idaho, Nebraska, Vermont, and Delaware "will truly feel the strain of the act because their operating budgets are relatively small and the loss of several millions is proportionately significant."

This happened in Idaho when the 1982 Idaho Legislature enacted a law that correlated its state income tax system with the federal system, resulting in an estimated loss of more than \$3 million.

Reinshuttle said "many states have been forced to take action to keep their budgets in balance. Of the 45 states which impose a corporate income tax, 15 chose to decouple from the federal code. In nine others, similar action is contemplated.

"In most cases, these actions will only diminish the loss of state revenue due to ERTA."