BEFORE THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1933.

STATE OF WISCONSIN, et al., *vs.* STATE OF ILLINOIS and SANITARY DISTRICT OF CHICAGO, et al.	No. 5 Original
STATE OF MICHIGAN, et al., *vs.* STATE OF ILLINOIS and SANITARY DISTRICT OF CHICAGO, et al.	No. 7 Original
STATE OF NEW YORK, et al., *vs.* STATE OF ILLINOIS and SANITARY DISTRICT OF CHICAGO, et al.	No. 8 Original

STATEMENT OF THE STATE OF ILLINOIS.

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STATEMENT OF THE STATE OF ILLINOIS.

Pursuant to the opinion of this Court herein delivered May 22, 1933, the following provision was added to the decree herein of April 21, 1930:

> "That the State of Illinois is hereby required to take all necessary steps, including whatever authorizations or requirements, or provisions for the raising, appropriation and application of moneys may be needed in order to cause and secure the completion of adequate sewage treatment or sewage disposal plants and sewers, together with controlling works to prevent reversals of the Chicago River if such works are necessary, and all other

incidental facilities, for the disposition of the sewage of the area embraced within the Sanitary District of Chicago so as to preclude any ground of objection on the part of the State or of any of its municipalities to the reduction of the diversion of the waters of the Great Lakes-St. Lawrence system or watershed to the extent, and at the times and in the manner, provided in this decree. And the State of Illinois is hereby required to file in the office of the Clerk of this Court, on or before October 2, 1933, a report to this Court of its action in compliance with this provision."

The State of Illinois desires to make it clear that in filing this report in compliance with the foregoing provisions added to the decree, the State does not waive any of the contentions heretofore addressed to the Court by its petition for rehearing and set forth more at length in the brief filed herewith in reply to the brief of complainant States opposing this petition for rehearing. For the reasons set forth in the petition and brief, the State of Illinois respectfully submits that this procedure is premature.

The State of Illinois, therefore, respectfully requests that this report be read in conjunction with its petition for rehearing and brief in support thereof.

Upon receipt of a copy of the Court's opinion and order the Attorney General of Illinois, with his assistants, gave most careful consideration to the provisions thereof in the light of the record. The report of Special Master McClennen had recommended to the Court that it direct by mandatory decree the State of Illinois to extend its credit at once by issuance and sale of bonds to raise funds with which to secure the completion of the sewage treatment program of the Sanitary District. The report recommended that the State of Illinois be directed to disregard positive limitations of the Constitution of Illinois which forbade the immedi-

ate use of State credit by the issuance of such bonds for this or any purpose, without the necessary approval of the voters at a general election. Consideration of the Court's opinion and order indicate conclusively that the Court did not adopt this recommendation. The proper officers of the State of Illinois, including the Governor, therefore, had been advised by the Attorney General that any procedure to be adopted by the State of Illinois pursuant to the requirements of the above order of the Court must be in accordance with the Constitutional limitations and requirements of the Constitution of the State of Illinois.

Since bonds or other use of the credit of the State of Illinois can only be authorized in accordance with the Constitution of the State by a majority of the voters of the State at a general election, and since, also, under the requirements of the Constitution, the next general election available for a vote on this question occurs in November, 1934, it was immediately apparent that the credit of the State could not be used in any degree whatever as a means of raising funds with which to resume at once the completion of the sewage disposal program.

Under the Constitution of the State, the authority to authorize or require the collection of taxation is vested in the General Assembly, and consistent with what we are advised has been the established conclusion of this Court, the matter of taxation is, under the Constitution of Illinois, solely and exclusively a matter of legislative discretion.

Following several conferences with the Attorney General, on June 13, the Honorable Henry Horner, Governor of the State of Illinois, addressed the following message to the members of the General Assembly:

STATE OF ILLINOIS
EXECUTIVE DEPARTMENT
SPRINGFIELD

June 9, 1933.

To the Honorable the Members of the Fifty-eighth General Assembly:

On May 22, 1933, the Supreme Court of the United States rendered its decision in the case of Wisconsin and other states against The Sanitary District of Chicago and the State of Illinois and entered an order enlarging the decree of April 21, 1930 by adding to it the following:

> "That the State of Illinois is hereby required to take all necessary steps, including whatever authorizations or requirements, or provisions for the raising, appropriation and application of moneys, may be needed in order to cause and secure the completion of adequate sewage treatment or sewage disposal plants and sewers, together with controlling works to prevent reversals of the Chicago River if such works are necessary, and all other incidental facilities, for the disposition of the sewage of the area embraced within the Sanitary District of Chicago so as to preclude any ground of objection on the part of the State or of any of its municipalities to the reduction of the diversion of the waters of the Great Lakes-St. Lawrence system or watershed to the extent, and at the times and in the manner, provided in this decree.
>
> And the State of Illinois is hereby required to file in the office of the Clerk of this Court, on or before October 2, 1933, a report to this Court of its action in compliance with this provision.
>
> AND IT IS FURTHER ORDERED THAT, except as above provided, the application of the complainant States herein be, and the same is hereby, denied. Costs, including the expenses incurred by the Special Master and his compensation, to be fixed by the Court, shall be taxable against the defendants."

While it would unduly extend the length of this message to render here a complete statement of the origin and many phases of this litigation, the following facts at least should be before you:

This litigation, in so far as it affected the State, was first called to my attention shortly after my inauguration, although the litigation has been pending many years—having been commenced in 1922. In 1922 the six states — Wisconsin, Ohio, Michigan, Minnesota, New York and Pennsylvania filed original proceedings before the Supreme Court of the United States to prevent The Sanitary District of Chicago from continuing to divert water from Lake Michigan through its canal into the Illinois River and thence to the Mississippi (the Illinois Waterway Route) on the claim that this diversion lowered the levels of te Great Lakes and thus produced damage to navigation and other rights of those states. The decree, entered in that case in April 1930, required successive reductions in the diversion as follows: from and after July 1, 1930 to 6500 cubic feet per second; by January 1, 1936 to 5,000 cubic feet per second, and by January 1, 1939 reduced to 1500 cubic feet per second. Prior to the time of the decree of 1930, it was found by the District to be necessary to withdraw 8,500 cubic feet per second which has been reduced, as I am informed, to 6500 cubic feet per second, to comply with the requirements of the decree up to July 1, 1930.

The amounts of these reductions and the dates for their going into effect were based by the court on its conclusion that they could be safely imposed if The Sanitary District proceeded vigorously to carry out its previously adopted program for the constructions of plants designed for the artificial treatment of the sewage of Chicago. This artificial treatment is required to comply with the

decree as to the diversion and to prevent pollution of the waters of Lake Michigan, the source of supply for the city of Chicago and adjoining communities.

In 1931 the General Assembly authorized the issuance, without referendum, of bonds by The Sanitary District of Chicago to the extent of thirty-six million dollars to enable it to complete its plants for the purpose of decreasing the diversion of water from Lake Michigan, as required by the decree of the Supreme Court of the United States. The economic depression, however, has prevented the sale of those bonds. Due to the delay in the collection of taxes in Cook County, the Sanitary District has not received sufficient taxes to prevent its other bonds from going into default. As a result of its inability to dispose of the bonds authorized by the General Assembly, it has been unable to continue its construction program.

On October 3, 1932 four of the original complaining states called the situation to the attention of the United States Supreme Court in an application which requested, among other things, the appointment of a receiver or other officer of the court to enforce the decree. In effect the complaining states asked the United States Supreme Court to take over the conduct of the affairs of The Sanitary District. On this application, the court appointed one Edward F. McClennen of Boston as Special Master of the court, and directed him to inquire into certain questions, particularly the financial measures needed to permit going forward with the construction program and the hearing on these questions before the Special Master began on January 12, 1933. The present Attorney General of Illinois then appeared and participated vigorously in the proceeding. Up to this date The Sanitary District had been the active defendant although the state had been made a party to the proceeding.

Although this State had been made a party to the proceedings, I am informed that it was believed by the previous Attorneys General that the state was merely a nominal party and that the real controversy was between the complainant states and The Sanitary District of Chicago.

When the attention of the present Attorney General was called to the matter in January this year, it was made manifest by the complainants that they intended to make this State answerable for any default of The Sanitary District of Chicago. The Attorney General promptly and vigorously and, as I view it, very properly took the position that it was eminently unfair and contrary to law to fasten upon the State responsibility for any liability or default of The Sanitary District of Chicago, one of the municipalities in the state.

It was the position and opinion of the Attorney General, as well as myself as Governor, that the State could not be held liable in law or in fairness, for the default of The Sanitary District of Chicago any more than it would be liable for the default of any other municipality in the state.

The contention of the complainants was to the contrary and they maintained and urged throughout this latter phase of the litigation that not only was the State of Illinois liable but that the Supreme Court should enter an order requiring the issuance, without referendum, of one hundred and thirty-nine million dollars in bonds of the State to pay for the cost of constructing the treatment works and appurtenances insisted upon by the complainants as necessary to comply with the decree of April 1930.

It was contended by the Attorney General and by the Governor that even if the unusual claim of liability of

the State of Illinois was sustained, no bonds could be issued by the State without a referendum.

The Attorney General vigorously contended and in my opinion rightly, that it was unfair to impose the financial burdens of The Sanitary District of Chicago, comprising and embracing but one-half of the population of the State upon all of the people of the State.

It was further shown by the Attorney General, through testimony he introduced, I being one of the witnesses, that the financial resources of the State were unable to meet this tremendous expenditure sought to be imposed upon the State and that already the tax-ridden citizens of the State had a taxation load under which they were then staggering.

Notwithstanding the evidence introduced and the strenuous and devoted efforts of the Attorney General, the decision of the Supreme Court of May 22nd and the decree issue in pursuance thereof, as I have quoted it, were rendered and entered.

The court's decision very definitely requires the immediate commencement of work by The Sanitary District of Chicago in order that the full construction may be completed by the end of 1938.

The State of Illinois should do what it can to comply with the court's requirements that it act to assist The Sanitary District to comply with the decree of the United States Supreme Court and the matter, therefore, is submitted to the General Assembly for its consideration and such action as may meet all the necessities of the problem.

It is only proper that this burden should be carried entirely by The Sanitary District of Chicago. The trustees have indicated their willingness to do so if put in a position where they can secure funds for this purpose.

As already stated, The Sanitary District of Chicago has been authorized by previous action of the General Assembly to issue bonds in an amount not heretofore utilized, up to $36,000,000, without the customary requirement that such bonds be approved at an election of the voters of the District. In view of the fact that the Supreme Court of the United States has declared the necessity for this expenditure in an amount exceeding the existing authorization, I recommend that further authorization by appropriate act of the General Assembly be given The Sanitary District of Chicago to issue its bonds without referendum in the amount required to carry out and complete its program for the construction of sewage treatment works and appurtenances thereto. Although these bonds may not be immediately saleable yet if they are not saleable on the open market, it is believed and hoped that they may be available as collateral for loans to The Sanitary District of Chicago from Federal agencies now in existence or expected to be authorized as a result of legislation now adopted and also under consideration in the Congress.

The decree requires a report from this State by October 2, 1933, showing its action in complying with the order of the Supreme Court of May 22, 1933. In view of the nature of the order entered by the court, I earnestly hope this matter will receive the immediate and serious consideration of the members of the General Assembly.

In the meantime, you may rest assured that the rights of the people of the State of Illinois will be vigorously pressed and asserted before the Supreme Court of the United States. I am advised by the Attorney General that a petition will be promptly filed for a rehearing in the Supreme Court of the United States on its decision and decree of May 22, 1933, asking reformation of the said decree. In the meantime, however, it is necessary

to take immediate steps to enable The Sanitary District of Chicago to discharge on its own account the obligations placed upon it by the decree of the United States Supreme Court.

HENRY HORNER
Governor of the State of Illinois.

Prior to and at the time of the handing down of the Court's opinion hereinabove referred to the General Assembly of Illinois was in regular session. Shortly prior to the handing down of this opinion, the Supreme Court of Illinois had held unconstitutional an act of the Legislature previously adopted, at a special session for the purpose, designed to impose a sales tax with which to raise revenue to be used for the purpose of unemployment relief. The immediate problem, therefore, before the Legislature at the time of the Court's opinion was the pressing necessity for raising revenue for unemployment relief. These necessities are matters of record in this proceeding. As appeared in the evidence before Special Master McClennen, there were in Illinois, at the time this opinion was rendered and while this problemt was pressing for consideration before the Legislature, 146,000 families dependent entirely upon public funds for subsistence, food, clothing, housing and medical relief. The Governor of Illinois had testified, as the record shows, before the Special Master that approximately 800,000 persons were represented by these figures. It was also a matter of official belief, as evidenced by experience, at the time that notwithstanding a temporary improvement in employment and business conditions which began to appear in the spring of this year, the burden of relief necessities had continued to increase rather than to lessen. The reason for this was understood to be the result of the process of exhaustion of funds and private sources for help, with the effect that

there were constant additions to those requiring assistance who had been previously able to postpone seeking public relief.

Consistent with the suggestion contained in the message of the Governor above referred to, the General Assembly duly adopted an act entitled "An Act Amending Section 5 f and 9 of an act entitled 'An Act to Create Sanitary Districts and to Remove Obstructions in the Des Plaines and Illinois Rivers,' approved May 29, 1889, in force July 1, 1889, as amended." As a result of this the Sanitary District was authorized to issue bonds in an amount not to exceed $100,000,000 for the purposes of carrying out the requirements of the decree of the Supreme Court of the United States without submitting the question of such issuance of bonds to the legal voters of the District, and also was given power providing for the refunding of defaulted bonds. This act, as required by the Constitution of the State, vested this additional power in the Sanitary District, subject to the limitation that it should not become indebted in any manner or for any purpose to an amount in the aggregate exceeding 5 per cent of the valuation of the taxable property ascertained by the last assessment for State and county taxes previous to the incurring of such indebtedness. This limitation is required by the State Constitution.

It will be remembered that the District had previous authority to issue bonds without referendum which it had not theretofore been able to sell because of tax collection difficulties, in an amount exceeding $20,000,000, and, in effect, the Legislature removed the last limitation on the power of the District to issue bonds to an amount beyond the estimated cost of $120,000,000, which it lay within the power of te Legislature to remove.

The Legislature adopted, in lieu of the sales tax for

unemployment relief purposes previously held unconstitutional, a retailers occupation tax. This went into force July 1st at the conclusion of the legislative session. Machinery for collection had to be set up and funds only began to be made available in August. The estimate of the Director of Finance, based upon collections up to date, is that there will be collected by this tax up until February 1, 1934, a total of $18,000,000 thus to be made available for relief purposes. The Legislature also provided that of the three cent motor fuel tax, after first deducting from the total collection service charges on road bonds, one-third of the net amount remaining should be allocated to the cities of Illinois, one-third to the counties, and only the balance left should be retained by the State for the original purpose of the tax—improvement, maintenance and policing of highways. The allocations to cities and counties were required to be used solely for relief purposes.

It is the fact that the estimated requirements for relief necessities, based upon experience, indicated the requirement for a sum very greatly in excess of the total estimate of receipts from these two sources.

Under date of September 22, 1933, the Director of Finance advises that of the Cook County 1931 levy for State purposes amounting to $14,651,000 there was an unpaid balance on September 1st in the sum of $9,411,000, and of the 1932 tax levy in the balance of the State for State purposes amounting to $15,684,000 there was an unpaid balance of $8,414,000 on September 1st. The Court will remember, as shown by the report of Special Master McClennen, that due to litigation and reassessment, collections in Cook County were one year behind collections in the balance of the State. From these figures, it is apparent that the total tax levy for State purposes collectible in 1933 called for the sum of $30,335,-

000. The 1931 rate for State purposes was 39¢ per $100 of assessed valuation, and the 1932 rate was 50¢ per $100.

The report of the Special Master recommended to the Court that the State should be required to issue bonds in the year 1933 in the sum of $34,000,000. As stated above, no constitutional authority to issue such bonds exists. The only way in which this sum could be made available was by additional taxes. It, therefore, appears that if the recommendation of the Special Master be regarded as defining the requirements of the Court under the order above set forth, the Legislature contemplated the necessity of imposing additional taxes aside from the special additional tax for unemployment relief, calling for total collections of $4,000,000 in excess of the total tax levy for all other State purposes, and this at a time when, as shown by the above figures, due to the effects of the economic depression, more than fifty per cent of the theretofore increased State tax had not been collectible.

Counsel for the State of Illinois are unable to state what was in the minds of the members of the General Assembly in the consideration they gave to the expressions of this Court and the requirements of its order called to their attention, as aforesaid, by the message of the Governor. The fact is that the Legislature, in the exercise of its exclusive legislative discretion, adopted no tax measure applicable throughout the State designed to raise revenue to be made available for the resumption of the Sanitary District construction program. In connection with this decision of the General Assembly of Illinois not to more than double the State tax rate for Sanitary District construction purposes, the Court should remember that the recommendations of the Special Master were that the State issue bonds for this pur-

pose, and not that the State attempt to collect the required sum by taxation. The conclusions of the Special Master, therefore, as to the financial capacity of the State of Illinois dealt only with his conclusion that the State's credit was sufficiently good to make a bond issue of this amount practicable. Such facts as are contained in his report as to tax delinquencies do not justify any conclusion that the required amount could immediately be raised by taxation. The actual increase in tax for a bond issue of $35,000,000 would not exceed $3,500,000 for interest and maturities, and would be less, therefore, than ten per cent of the amount apparently required to be immediately raised by taxation,—$34,000,000.

As indicated by the figures given above, however, tax delinquencies at the present time on the levies now in process of collection exceed fifty per cent of the tax. Since the requirements of the Court, as expressed in its opinion and order, could only be met by taxation, it is at once apparent that the increase in the tax rate demanded to meet these requirements would not be limited to the amount which arithmetically would raise the necessary sum, but would, as a practical proposition, need to be still greater.

It should be remembered that the members of the Generad Assembly are citizens of the State of Illinois, representative of the people of the State within their respective districts, and it may safely be assumed widely and personally familiar with the economic situation within those districts, and particularly with the capacity of their people to assume a large additional tax burden. We respectfully suggest, therefore, that the action of the General Assembly in failing to adopt any measure to procure by tax increases the sums necessary to meet the Court's requirements should be accepted at the hands

of this Court as a fair and unprejudiced conclusion of fact, within the exercise of their legislative discretion, and in no sense whatever as the expression of an unwillingness to meet the obligation decreed by this Court. That decision of fact, we believe, was that the amount involved could not be collected. Whatever the nature of the obligation may be, capacity to perform is an essential which must exist before the obligation can be met. Existing circumstances, of which this Court is fully informed, amply justify, we respectfully suggest, the conclusion of fact which we believe should be accepted by the Court as the basis of the legislative inaction here presented.

It should be remembered in this connection that the State Relief Commission to deal with unemployment relief was formed in February, 1932. Since that date there has been made available the proceeds of a State bond issue in the total sum of $20,000,000 which is a bond issue required to be repaid by taxation; a loan to Cook County in the sum of $12,252,000 secured by a Cook County bond issue in the same amount, also to be repaid by taxation; a diversion of the Motor Fuel Tax funds in the amount of $3,172,278; the proceeds of a county bond issue based upon an allocation of the Motor Fuel tax of $1,790,000; an estimated amount derived from general property tax receipts outside of Cook County in the sum of $5,000,000; and as previously stated actual receipts together with anticipated receipts based on present performance from the Retailers Occupation tax, which will total by the first of next February, $18,000,000. The Legislature directly or indirectly, therefore, had caused to be raised for unemployment relief during this two year period of the worst economic depression this country has ever known, all by extra and extraordinary taxation, a total amount exceeding $60,000,000.

In the light of these circumstances which were before the Legislature at the time of its consideration of the Governor's message above set forth, we submit that a reasonable inference as to the cause of its inaction must have been the conclusion that the addition of further taxation sufficient to raise, within the year, $34,000,000 was impracticable and impossible of execution.

As to the steps that have been taken looking to a resumption of work on the Sanitary District program, the following have occurred:

In September, 1932 the Sanitary District filed an application with the Reconstruction Finance Corporation for a loan of $36,450,000. This included complete engineering data. The Reconstruction Finance Corporation, on examination of the application, held that the loan was not self-liquidating within the requirements of the applicable Statute of the United States, in that it could only be repaid from tax receipts and not from other sources of income.

Upon the adoption of the National Industrial Recovery Act by the last session of Congress, in accordance therewith, in due course, the President of the United States caused to be set up a Public Works Administration under the direct supervision of a board with the Secretary of the Interior as active head. As soon as this organization was announced, counsel for the State of Illinois presented the construction program of the Sanitary District as one which, within the requirements of the Act, would produce a large amount of re-employment and result in socially desirable construction. With all proper diligence and the active cooperation of its trustees and proper officials, the Sanitary District of Chicago in July, 1933 submitted to the individual members of the special board for Public Works at Washing-

ton, and, in proper form, to the Illinois State Advisory Board, an application for an allocation of $120,367,500. Under the regulations subsequently announced by the Public Works Administration, because of the prior application to the Reconstruction Finance Corporation, the project was automatically transferred for consideration to the Washington Office, and in full compliance with the requirements of the regulations, the Sanitary District in August, 1933, filed another application, first with the Illinois State Advisory Board for the same amount, and on August 31st, a third application conforming to Circular No. 2 of the Public Works Administration, with the office of the Federal Emergency Administrator of Public Works at Washington. On September 23, 1933 a subapplication for an immediate allocation of $7,874,477 for the purpose of completing work on uncompleted contracts which had been interrupted due to the failure of funds was filed with the Illinois State Advisory Board, pending further consideration of the original application. On these uncompleted contracts engineering and other preliminary details, of course, had been completed and only money was needed to permit an immediate re-employment of some 4,500 men. This proposal has met with the approval and co-operation of the Secretary of the Interior.

As a result of the interposition of the State of Illinois, through its proper officials, the Secretary of the Interior directed the General Solicitor of the Public Works Administration, Lloyd H. Landau, to come to Chicago to determine what steps could be taken, with a view to putting back to work as large a number of men, as soon as possible, in the carrying out and construction of socially desirable projects for which the Federal Government would receive valid and eventually commercially good collateral. These last state the general requirements of

the policy of the Public Works Administration within their interpretation of the requirements of the Act.

The Administration had appointed a very able engineer for the projects within Illinois, Joshua D'Esposito, who immediately began examination of the uncompleted contracts of the Sanitary District. It was promptly determined that arbitration of contractors' claims, because of interruptions of work and possible increases of costs due to advances in the cost of materials, would be necessary. The general attorney of the Sanitary District has stated that he will advise the trustees that they are authorized to and should agree to arbitration of these claims. Counsel for the State of Illinois is informed that the Federal Engineer, Mr. D'Esposito, has approved the work under these contracts as socially desirable within the requirements of the Act, and we are further informed that contracts looking to the advancement of Federal funds against Sanitary District bonds on terms yet to be finally determined are in process of preparation by the Public Works Administration in Washington. It may, therefore, be reasonably anticipated that work will be resumed on these uncompleted contracts within a few weeks.

As to the balance of the program, counsel for the State of Illinois is informed that the Federal Engineer has stated an engineer's examination in detail must be made of the entire Sanitary District project, in the first place to determine that it is properly prepared, in view of the most recent developments in the art of artificial treatment of sewage; second, that from the entire program may be selected projects socially desirable which may be in a short period begun; third, that necessary arrangements for adequate and complete Federal supervision not only of construction but of expenditures can be arranged. The General Solicitor of the Administra-

tion conferred with counsel for the State of Illinois, the Attorney General and the Governor, and a preliminary outline of requirements was prepared. There are many and complicated details, since the Federal Government probably will require transfer of possession, and possibly title to the land on which construction is to be undertaken, and will also require broad powers of supervision, not only of the construction but as to all the related financial undertakings, which they may decide will have a bearing upon the value as collateral of Sanitary District bonds, either to be sold or held by the Government as security for construction costs. It is agreed that enabling legislation to meet these requirements must be adopted, and the Governor has authorized the Attorney General to state that at a special session very shortly to be called, this subject will be included. Bills will be prepared as soon as the details of the requirements of the Public Works Administration can be learned.

The Sanitary District's unused bonding power within the Constitutional limitation of 5 per cent of the last assessed valuation of property within the District is, at the present time, approximately $42,000,000. It is hoped that by the elimination of certain contract liabilities, which are figured against the borrowing power in arriving at the figure stated, this capacity may be increased to approximately $61,000,000. The Federal Government has adopted the policy within the provisions of the National Industrial Recovery Act of making a grant on municipal projects of the character here involved of 30 per cent of the total cost of labor and materials, which is much the largest item of cost in this program. It is, therefore, expected that there may be available in excess of $75,000,000 for construction, if the engineer's

report indicates that this amount may be expended within the emergency requirements of the Act. The general program under discussion and likely to be followed is that the total construction cost will be amortized over a considerable period of years, at least twenty, and the grant will be applied against the cash requirements of the first years. This will not only afford a great immediate tax relief to the over-burdened taxpayers of the Sanitary District, but will greatly advance the improvement in the market value of Sanitary District bonds, since it will help Sanitary District tax collection. If the Recovery Program of the Administration is successful, combined with other helpful economic forces, the present improved trend of tax collections will bring back to par, before the end of the time Federal construction is finished, the bonds of the District and by that time, the District will be amply able to finance whatever remaining portion of the program remains uncompleted.

In view of the fact that Public Works funds are required to be expended at the earliest possible moment in order to accomplish the greatest amount of immediate re-employment, it may confidently be expected that the construction program for the next two years will exceed in volume and amount the program as previously adopted by the Sanitary District and approved by this Court, since that program necessarily had to be limited in annual expenditure by the borrowing power of the Sanitary District; limitations, it will be remembered, which this Court had accepted by its approval of the program. The practical situation is, therefore, that subject to the delay occasioned by the engineering review of the project, the adoption of enabling legislation, which probably can be accomplished before the engineer's report is finished, and the preparation of contracts, rapid progress

in accordance with the Court's original requirements may be confidently expected.

Respectfully submitted.

THE STATE OF ILLINOIS,
By OTTO KERNER,
Attorney General.

TRUMAN A. SNELL,
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Special Assistant Attorney General.