

lost revenues than communities gain in lower interest costs. Therefore it is possible for the Federal Government to give communities an equivalent interest subsidy and still save money.

5. The contracts would be available where the waste treatment system, not the particular projects, serves 125,000 people or more or serves all or part of a standard metropolitan statistical area. In our cost study, we indicated that there is a pressing need to upgrade waste treatment facilities in our major metropolitan areas. These are the areas that have been largely left out of the earlier grant programs because of the limitations written into those laws.

The program, which is designed primarily to meet urban requirements, also would cover smaller communities which would form a part of, or are contiguous to, larger metropolitan areas. It is our hope that this legislation will encourage metropolitan or regional waste collection and treatment.

The bill would also require the establishment of a system of user charges which would be sufficient to amortize the local share, pay operation and maintenance costs, and establish a reasonable reserve to meet planned expansion needs.

7. The bill provides that not more than 10 percent of the funds available for contracts in any year could be obligated to any one State. Contract funds not obligated in 1 year carryover to the succeeding year and are added to the total contractual authority for that year.

We recognize that this is a departure from the allocation formula approach now in the act. But we believe that this change is important, if the Federal Government really means to meet its commitment to the highly urbanized areas of the country with the greatest water pollution control needs. We fully expect that the smaller communities of the Nation, which are not eligible under the contract approach, will use the direct grant method to finance construction.

8. In 1966, Congress added to the act a provision which was intended to encourage communities to proceed with the construction of treatment works without a Federal grant or only a partial one. We would approve the project and the community would, usually with State help, finance it. They could then seek reimbursement for the Federal share from allocations available for grants prior to July 1, 1971.

The State of New York, with their bond program, made a special case on this. And I think the committee wisely enacted that special provision into law.

The 1966 amendment made it very clear, however, that approval of the project could not be construed, at any time, as an obligation or commitment of the Federal Government to provide funds for the project. As of April 1, 1968, 379 funded or partially funded projects have been approved. These could receive a total Federal payment of about \$215 million when, and if, the money is available for such payment.

The Water Quality Improvement Act of 1968 is designed to replace the 1966 amendment after July 1, 1968, without affecting eligible projects already approved. We recognize that some States, like New York, have initiated a program with some reliance on this reimbursement provision. We believe, however, that these States will realize that the contract approach is a vast improvement because it gives the com-