

to permit the Federal Government to meet its share of the cost more quickly.

A Federal program designed to achieve a specific functional purpose should not be used, however, as a vehicle to eliminate or test the possibility of eliminating the tax exemption for municipal and State bonds—a drastic change in public policy.

USER CHARGES

2. User charges. Under the proposed legislation, a municipality issuing bonds under a debt service contract must establish user charges sufficient to amortize construction costs, provide for operation and maintenance, and build a reserve for expansion and replacement.

While I am not opposed to the principle of user charges—in fact I think there is a great deal of merit in the use of user charges—this provision concerns me for several reasons.

It is inappropriate for the Federal Government to mandate the specific way in which a local government should meet its commitment to pay for and operate a sewage treatment plant.

User charges may not always be the most equitable or wisest way to support such projects. In some cases a combination of a user charge, assessments, and the property tax is most equitable and efficient.

Local governments need flexibility in fiscal matters more than at any other time in history. I believe it unwise for Congress to restrict the financial flexibility of local government in this way.

There is also a serious question whether the full cost of operating and replacing sewage treatment plants as well as their initial construction, as called for in the user charge proposal, should be borne directly and entirely by just the municipality concerned, regardless of the revenue source.

Those who may benefit most from treatment facilities are not necessarily in the immediate community but are perhaps downstream, even in another State.

The proposed bill seems to provide that the user charge also be sufficient to cover replacement and expansion needs of the plant. While the bill is not clear on this point, the concept must be treated carefully.

New York law, for example, prohibits the use of reserve funds for expansion when the original system is paid for by benefit assessment.

This theory is sound—those paying for present benefits should not also have to pay for the benefits of future generations.

User charges sufficient to cover amortization, operation, and replacement would be very substantial. They could be a major deterrent to a community seeking to enter into a contract with the Federal Government, even though the community had other fiscal resources adequate to meet its commitments.

In addition, the bill provides that the Secretary may waive the requirement for user charges “if such charges would not serve to improve the financial capability and efficiency of the waste treatment system.” This provision is not clear.

I would like to comment that in general, the more discretion that is placed in the hands of administrators rather than clearly spelled out