

Therefore, it seems logical that the issue of tax exemption be considered by the Congress as a matter of general policy, rather than as one part of a pollution bill. To do otherwise might be self-defeating to a large extent, since a taxable municipal security will hardly be able to compete for the favor of investors as against tax-exempt municipal securities issued for other purposes, regardless of the rate differential or other Federal subsidy implied by the bill.

LEGAL LIMITATIONS ON INTEREST RATES

It is also important to note that if municipal bonds were to be made taxable, the higher interest rates would exceed the legal interest rate limit set by State law. The four Delaware Basin States have legal limitations of either 5 or 6 percent. Our own commission's limitation is 6 percent.

PREFINANCING CUTOFF

On page 2, line 3, section (c) would end the prefinancing authorization set up in the 1966 law. We think this is unwise and unnecessary. States that have shown the initiative that was encouraged by this prefinancing arrangement should not now be penalized. Retention of the prefinancing provisions would continue the national goal of abating pollution as quickly as possible.

POPULATION-SMSA REQUIREMENT

On page 5, line 21, the bill requires that the Secretary, prior to entering into any contract, must determine that the treatment works will serve an area with 125,000 people or more, or a standard metropolitan statistical area as defined by the Bureau of the Budget. The Secretary is then given latitude to use judgment when he finds it not reasonably possible for such works to serve *all* of a standard metropolitan statistical area. A very literal interpretation of this could restrict the development of regional systems to a point which I do not believe you wish to see happen. The standard statistical areas are rather large and frequently include several good-sized cities and many autonomous suburban and rural communities as well as many scattered industrial plants. This provision should be modified to permit the development of regional systems which might incorporate large amounts of industrial wastes, together with smaller amounts of municipal waste, since there will be circumstances arising whereby the most effective method of treating the wastes in certain sections within a metropolitan area could be best handled at the time by a subregional system.

You may wish to consider, instead of speaking of an area of 125,000 people, to add "*or an area producing wastes with a population equivalent of 125,000 people.*" This would enable the creation of regional complexes that combine large industrial wastes with lesser municipal loads in an efficient manner. The principle is not new. It has been done before under the earlier grant programs to a limited extent, but the Clean Water Restoration Act of 1966 offered us the prospect of engaging this on a scale heretofore not possible. Such a promise should not now be restricted inadvertently by language which would focus the effort almost completely upon the large metropolitan systems.

ELIGIBILITY FOR AREAS OF SEASONAL POPULATION

One further point concerning size of population in the affected area. Recreation and reservoir areas very much need protection from water quality impairment, but most such areas have small, year-round populations. I suggest that this section of the bill be changed so as to include areas with a *seasonal*, as well as permanent, population in excess of 125,000 persons. Pollution control around the 1000-square-mile impact region of the Delaware Water Gap National Recreation Area, for example, will be handled as a single unified system. The permanent year-round population of this region is now about 80,000. However, in the summer, after the National recreation area is in operation, this population will swell to more than 300,000.

RESERVE FUND

On page 6, lines 21 through 24, the bill reads, "(ii) A reserve to meet, to the greatest extent possible, expansion or replacement requirements of the treatment works service area." Literally interpreted, this could mean building growth capability into a system for as much as 50 to 100 years, the life of most interceptors