

ing needs of our counties. Water pollution control, of course, ranks among the most pressing needs in thousands of areas. I might mention here that in a recent poll in our community, checking on individuals opinions on issues of primary importance, the latest one I saw listed pollution along with education, second only to Vietnam.

COUNTY DEBT LIMITS

However, the suggested procedure would preclude many counties from proceeding to deal with other problems within the community. They would be lacking in the necessary debt authority for other public purpose projects. One could say that the option is still with the county and if they did not desire to assign such a high priority to water pollution control, they need not do so. However, by virtue of the fact that some local governments will be able to receive straight grants, \$225 million requests for fiscal 1969, such communities won't be confronted with such a problem while others will.

TAXABLE STATUS OF BONDS

Perhaps the most vexing problem is the overall effect upon the tax exempt feature of our bonds. It is our contention the exemption is a constitutional one and not statutorily granted. Consequently, the question is raised as to whether local governments can waive the constitutional right of the holder of a State and local government bond to receive the interest from the bond, exempt from Federal taxation. If we accept an affirmative answer to that question, then we could find ourselves disavowing our position as to the constitutional exemption.

There are other problems connected with the proposal which we understand will be brought out in other testimony. We do not wish to appear to be entirely negative and would now like to turn to what we propose as alternatives.

TWO ALTERNATIVE APPROACHES

We believe there are two approaches that this committee should consider in order to meet local government's serious difficulties with the present legislation. Either approach, would, we think, remove the grave difficulties we have with the bill.

(1) Limit contract authority to Federal share

The first approach would provide that the Secretary's contract authority would be limited to the Federal financial share of the project.

The present bill, for example, provides that if a water pollution control facility is to cost \$1 million, and the Federal grant is to be 30 percent, the entire \$1 million is secured by the sale of federally guaranteed taxable bonds issued by the State or local government. The Federal Government will pay the principal and interest on \$300,000 plus the subsidy to the local government to compensate for the higher interest rates necessary because the issue is not tax exempt.

Our proposal would require State or local governments to issue only \$300,000 in federally guaranteed, taxable bonds, the entire amount of principal and interest to be paid by the Federal Government. In effect