

We are advocating that we concur wholeheartedly that you are right in putting into this act to bring about service charges for these facilities. We certainly agree.

GRANTS VERSUS BOND APPROACH

Mr. CRAMER. On page 4 you discuss straight grants versus the bond-issue approach under this bill. As the bill is drafted, the entire \$700 million could be used for bond issue purposes. So actually this could be a hidden way to do away with all grants for sewage treatment and substitute bond issues.

What would be your reaction to that?

Mr. BASFORD. I mentioned in the statement that we would like to see the grants continued as much as within, you know, that it is financially possible on the part of Congress and the Federal Government.

We are suggesting that this would certainly encourage more self-help and more local participation financially. And I am not sure that I could speak on behalf of the association in regard to their policy. I do not think they would want me to say that I would concur that you should do away with the grants.

CONSTITUTIONAL BASIS OR TAX EXEMPTION

Mr. CRAMER. I think you make a very interesting point on whether or not the tax exemption of a city bond is a constitutional right, or whether it could be revoked statutorily through this procedure. It has always been my impression that this has been a constitutional right.

Mr. BASFORD. Thank you, sir. We concur with that.

Mr. CRAMER. And that local communities should not be hamstrung or hampered by Federal legislation restricting their issuing of tax-exempt bonds.

Mr. BASFORD. That is right.

Mr. CRAMER. And I think this question of whether it is a constitutional right ought to be given some very exhaustive legal research by this committee before even giving any consideration to it on tax-exempt bonds.

USER CHARGE REQUIREMENT AND RESERVE FUND

Mr. EDMONDSON. Would the gentleman yield for a question relating to this bill on the requirement for user charges?

Mr. CRAMER. Yes.

Mr. EDMONDSON. Did I understand that the witness said he accepted the language of H.R. 15907 on that subject which appears on page 6?

Mr. BASFORD. Yes, sir. I read it. And the only thing I disagree with is I think the part which allows the Secretary to waive, that should be taken out. I think it should be required. I do not think that is the—I do not believe the philosophy of the act overall is consistent with allowing these moneys to be provided to a system that is not passing the cost of operation and expensing of it back to the customer.

This is very inconsistent with my personal economic philosophy at least.