

Many restrictions will apply to any project involving Federal aid, but this legislation carries the prospect of far greater Federal involvement than most Federal aid programs. Many actions requiring Federal approval could cause significant delay and higher project costs.

THREAT TO TAX-EXEMPT STATUS OF LOCAL BONDS SEEN

The National League of Cities and the U.S. Conference of Mayors would favor a plan whereby the Federal Government would agree to a definite basis for underwriting its share of the amortization costs of pollution control programs. However, we strongly oppose any measure which removes the tax-exempt status from municipal bonds. This loss would be a severe encroachment upon the tax-exempt standing for all municipal bonds. For at least 30 years, local government officials of necessity have united to oppose legislation seeking to remove the tax-exempt status of local bonds. If it is successful, the subject legislation would be an initial breakthrough with subsequent actions to include other types of local debts. This would place unbearable burdens on a municipality and no doubt lead to eventual Federal control of local financing.

If the proposed plan of financing has merit, it does not need to exclude tax-exempt status. The legislation would be equally effective if it permitted the bonds to be tax exempt. Federal costs would not be increased. Ability to issue bonds would not be changed.

We urge the proposed legislation be amended to stipulate that the tax-exempt status be retained for any municipal bonds to be issued.

PREFINANCING CUTOFF

If the full amount authorized under the Federal Water Pollution Control Act is made available for the program, we would not voice very strong objections to discontinuance of the provision permitting reimbursement for the State or local advancement of the Federal share of programs. If less than the full level of authorizations is made available, we would object strongly to elimination of the repayment provision, as it would further impair the ability of local governments to comply with the standards imposed under the Federal Water Pollution Control Act.

CONTRACT PROPOSAL ACCEPTABLE IF MODIFIED

We hope that a method can be found to increase Federal support for local waste treatment programs to the level authorized by the Clean Water Restoration Act of 1966. We believe that the program proposed by this legislation, with removal of the provision requiring that the bonds be taxable and clarification of the other points I have raised, would serve to increase the Federal commitment during this time of fiscal difficulties, and on that basis we accept it.

I thank you for your attention. I will try to answer any questions you may have.

I might add, Mr. Chairman, we have been working with the Department of the Interior and Bureau of the Budget and with the county officials and some members of your committee and some of your