Money for the sanitary facilities fund comes from the sale of general revenue bonds and are repaid from real estate taxes. When the State borrows money through the sale of bonds, the funds from that one sale may be and usually are allocated for a number of purposes. Outside of the constitutional issue, it would greatly increase the administrative cost if a specific type of bond were sold only for the specific purpose of constructing sewage treatment works.

Although I recognize that our situation does not prevail throughout the country, the contract provisions would not be attractive to our local communities. If the premise is accepted that each of the partners, Federal, State and local, is obligated to share in the cost of treatment works, it is somewhat incongruous to visualize our local communities in the role of banker for the Federal Government. Almost without exception they are having difficulty funding many high priority needs including schools, hospitals, and other public improvements as well as sewage treatment plants within the debt limitations imposed by charter or constitution. Under the grant arrangement in Maryland, a community must now raise only 25 percent of the eligible cost of sewage treatment works thereby relieving part of their bonding capacity for other needs. Under the contract arrangement, the local community would be obliged to sell bonds amounting to 75 percent of the grant eligible cost.

Section 2F(3) is particularly objectionable. To single out bonds sold to finance sewage treatment works and require that they be taxable has the effect of taxing sewage treatment works. The sale of this specific type of bond might not be permissible in Maryland and would certainly increase the administrative cost of financing. The interest rate on these bonds would be considerably higher than the interest rate on tax free bonds. If the excess cost is rebated by the Federal Government as proposed, it is difficult to see where this vastly complicating factor would provide revenue to the Federal Government. If fact, when administrative costs are considered it is difficult to see anything other than a net loss of revenue resulting from making the bonds taxable.

In general, we agree with the provisions of Section F(5) commencing on Page 5 of the bill. (There seems to be a confusing duplication of numbering commencing with (4) at the bottom of Page 7.) If the contract provision is accepted, it probably should be limited to larger towns and metropolitan areas. We are particularly pleased with paragraph (B) which will strengthen both the Federal and State hand in requiring communities to move in a coordinated and comprehensive fashion toward the development of areawide waste treatment systems.

Paragraph (C) is bothersome. The collection and treatment of wastes with the objectives of convenience, esthetics, and protection of health and prevention of nuisances are local in nature. That portion of the total costs required to meet those objectives should be reflected in charges borne directly by the persons using the sewerage system. However, the benefits implicit in meeting the high water quality standards established for the State of Maryland are widespread and general in nature. I believe that the charges made to meet these higher standards should not be borne solely by the users of the system but should be shared by the State and Federal Governments. For instance, a town on the north branch of the Potomac River might be required to remove phosphorous to help eliminate the threat of eutrophication in the Washington Metropolitan Area so that the river in the vicinity of our Capital remains a show place for the Nation. While as a citizen of the Nation, the mayor of that town might accept that objective and be willing to pay for it through State and Federal taxes, he would have a hard time convincing his council and the citizens of his town that they should bear the cost alone.

Perhaps the illustration is oversimplified or, on the other hand, understated. The point is that, unlike other utility services, the rates charged for sewage treatment under our modern concept of water pollution control should not reflect the entire cost of water pollution control works nor should they reflect the entire cost of operation and maintenance.

I support the provision of Section 2(g) which give the Secretary authority to require efficient operation of sewage treatment works as a condition for Federal assistance. Further, I suggest that any doubt concerning the application of the provisions of (g) (1) and (2) to the grant portion of the act be eliminated by substituting this wording for the rather general provisions now contained in Section 8(c) of the Act.

In summary, I laud the purposes of the Water Quality Improvement Act of 1968 designed to strengthen and improve the national water pollution control