

through sound development of water resources. In view of its commitment to water resource development, the Association desires to express its support of the objectives of S. 3206 and to offer the following comments which it is hoped will be helpful to the Committee in its consideration of this legislation:

(1) Under Section 2(f)(3) of the Bill, it is provided that interest on any obligation secured in whole or in part by a contract under subsection (f) of Section 2, or by revenues from works constructed with financial assistance thereunder, shall not be exempt from Federal income taxation, and that no payment shall be made by the Secretary for any portion of the principal or interest on any obligation, the interest on which is so exempt. We urge that this provision be deleted from the Bill. Its effect would be to impair the marketability of bonds issued by States and local public bodies, thus tending severely to obstruct financing of waste treatment works and to hamper their construction. In this connection, it is significant that many States such as West Virginia have statutory limits on the rate of interest payable on State and municipal obligations, which would preclude issues under present conditions at rates high enough for market acceptance, if tax-exempt status is eliminated. We know of no reason why obligations of States and local public bodies issued to finance water pollution abatement facilities should be treated less favorably for Federal income tax purposes than any other obligations of such entities.

This proposal, therefore, would set a dangerous precedent for future deprivations of the income tax exempt status of bonds issued states and local public bodies, and would raise basic issues of Federal fiscal policy and would present grave questions as to the proper relationship between Federal Government and the States and other local governmental agencies. Such issues should be considered, if at all, by the cognizant committees of Congress in the full context of the complex questions involved, not in the limited setting of Federal water pollution control policy.

The deletion here recommended would also entail the deletion of Subsection (f)(3) Clause B of Section 2, apparently designed to provide a subsidy to offset loss of tax-exempt status.

(2) Under Section 2(g) of the Bill, it is provided that in approving treatment works for Federal grant or contract assistance, the Secretary, beginning July 1, 1968, shall require as a condition of such assistance, adequacy of the design or operating plan for treatment works and that the States by not later than July 1, 1969, develop certain plans and programs. We urge that the dates prescribed in Subsection (g) be set forward by at least one year. Action by State legislatures will in many instances be required to meet the prescribed conditions and in numerous instances legislatures meet only biennially. The dates specified in the bill could well result in slowing down projects by several years.

(3) Also in Subsection (g) of Section 2 it is required that the States develop statewide plans "to improve the efficiency of all constructed treatment works". This would seem to go beyond the true intent of the sponsors of the bill, since literally construed, it would require improvements in the efficiency of works already operating at peak efficiency. We suggest that this provision be amended by adding after the words "treatment works" in line 1 of page 9 the words "not currently operating at efficiencies in conformity with modern technologies".

We trust the Committee will give favorable consideration to our recommendations and we respectfully request that this letter be incorporated in the hearing record.

Sincerely,

WILLIAM J. HULL,
Chairman of the Legislative Committee.

THE COMMONWEALTH OF MASSACHUSETTS,
WATER RESOURCES COMMISSION.
Boston, April 18, 1968.

Re H.R. 15907.

HON. GEORGE H. FALLON,
*Chairman, Committee on Public Works,
House of Representatives,
Washington, D.C.*

DEAR MR. FALLON: The Massachusetts Division of Water Pollution Control has analyzed H.R. 15907, a bill to amend the Federal Water Pollution Control Act. This bill, in our opinion, has many disturbing features which will adversely