

purposes of determining the amount of the State grant to be made hereunder, the cost of any one project, facility or system shall be reduced by the amount of any Federal grant or loan for that project, facility or system.

(3) To be eligible for a grant, the project, facility or system must meet all the requirements of State, local and Federal laws or regulations.

(4) Grants may be made only to the Maryland Environmental Service for projects, facilities and systems to be owned by the Maryland Environmental Service.

(5) Revenues which are generated from the distribution of resources or energy recovered or produced by a project, facility or system for which a grant has been made shall be paid and applied as follows:

a. First, to reduce the annual operating costs of that project, facility or system to zero.

b. Any revenues remaining thereafter (hereinafter called "Net Revenues") shall be paid and applied to reduce the annual debt service requirements of the State applicable to the grant made under this Act for that project, facility or system and to reduce the annual debt service requirements of the Maryland Environmental Service for any indebtedness it incurs to finance the remaining costs of the project, facility or system. Net Revenues shall be paid and applied hereunder in the ratio that the grant and the indebtedness bear to each other.

c. Finally, after payment and application as provided in subparagraph (b) above, any remaining Net Revenue shall, on an equitable basis, be paid to or applied for the party or parties for whom the project, facility or system is being provided.

(c) The Maryland Environmental Service shall commence the first phase of the Statewide Resource and Energy Program provided for hereunder by undertaking a survey, investigations, research, study, planning, design and construction of these projects, facilities and systems in urban areas of the State.

(d) The Director of the Maryland Environmental Service shall report, on or before October 1, 1975 and each October 1 thereafter, to the Governor and the General Assembly on the status of the first phase of the Statewide Program provided for hereunder. The report shall indicate the funds expended, funds committed, and funds remaining, and a list of projects for which funds