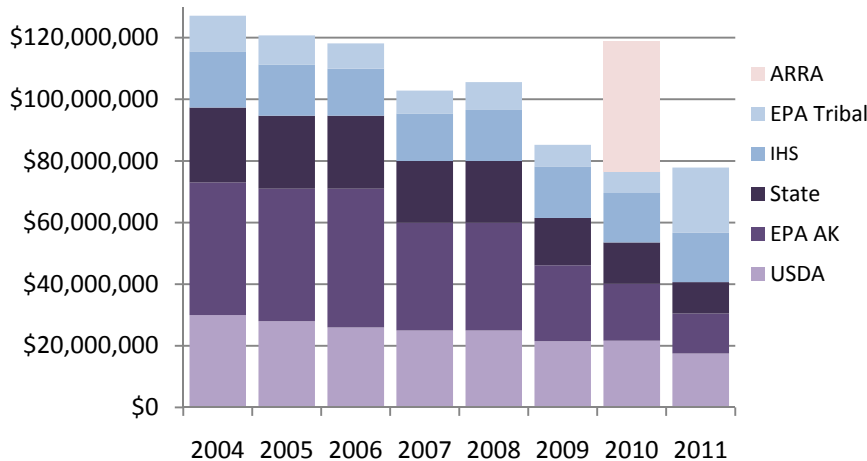


Rural Alaska Water and Sewer

The Cost of Addressing Needs is Escalating While Funding Declines

Funding for Rural Alaska Sanitation Projects SFY 2004 - 2011

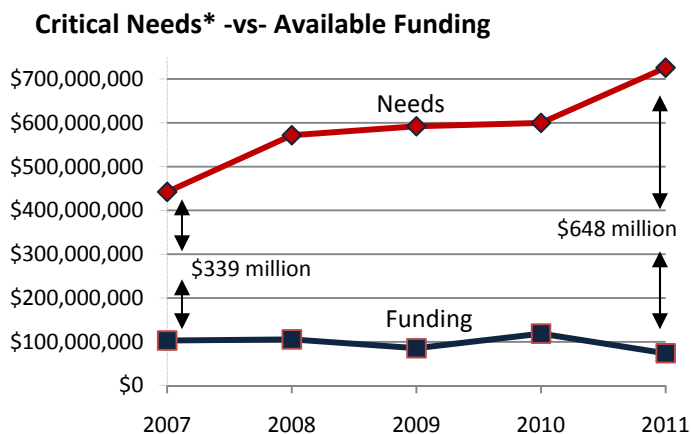


Funding from all sources (national tribal allocations, Alaska specific appropriations, and required State match) for rural Alaska sanitation projects has declined by over \$49 million, or 39% between State Fiscal Years 2004-2011. Alaska specific appropriations and required State match (shaded purple in the graph below) have plummeted by \$57 million or 58%.

Although the American Recovery and Reinvestment Act (ARRA) provided a one-time boost to rural sanitation projects in SFY 2010, the Federal 2010 (SFY 2011) budget represents the lowest funding levels for rural Alaska water and sewer projects in over 10 years – a \$41 million decrease from last year's appropriations.

SFY	USDA-AK	EPA AK	State	IHS	EPA Tribal	ARRA	Total
2004	\$30,000,000	\$43,000,000	\$24,333,331	\$18,210,163	\$11,598,171		\$127,141,665
2005	\$28,000,000	\$43,000,000	\$23,666,664	\$16,617,560	\$9,466,700		\$120,750,924
2006	\$26,000,000	\$45,000,000	\$23,666,664	\$15,280,000	\$8,207,000		\$118,153,664
2007	\$25,000,000	\$35,000,000	\$19,999,998	\$15,411,000	\$7,436,100		\$102,847,098
2008	\$25,000,000	\$35,000,000	\$19,999,998	\$16,543,204	\$9,055,500		\$105,598,702
2009	\$21,515,000	\$24,610,000	\$15,374,998	\$16,726,000	\$7,020,900		\$85,246,898
2010	\$21,667,000	\$18,500,000	\$13,388,999	\$16,036,000	\$6,888,052	\$42,257,600	\$118,737,651
2011	\$17,500,000	\$13,000,000	\$10,166,666	\$16,000,000	\$21,195,000		\$77,861,666

Recent appropriations for the EPA and USDA Alaska specific programs are highlighted in yellow above.



While funding has decreased significantly, the cost of addressing critical rural Alaska sanitation needs (such as homes without running water and flush toilets or inadequately treated drinking water) has increased dramatically. This increase is due to a number of factors including inflation, population changes, aging facilities, and more stringent regulations.

The disparity between available funding and the cost of addressing rural Alaska sanitation needs is approximately \$648 million – a 91% increase over SFY 2007. If current funding and cost trends do not change, this gap will continue to widen.

RURAL ALASKA SANITATION: Status of Efforts – January 2010

Long Term Progress

As recently as 30 years ago, fewer than 25% of rural Alaska households had running water and flush toilets. In 1996 when the State first began its statewide rural sanitation survey, 55% of rural homes had piped or covered haul service. Today, approximately 75% of rural homes have indoor plumbing. (This estimate omits regional hubs such as Kotzebue and Bethel, as these larger communities tend to skew the analysis.) The progress made in improving rural sanitation conditions is significant, with an average of 1.5% of rural homes receiving first time service per year.

Recent Progress

Because of high levels of federal funding since 2000, work on several community systems was initiated and is now nearing completion. Prior to hooking up homes for the first time, significant design and construction work must take place on core facilities such as water source development, water treatment and storage, and sewage treatment and disposal. The following first-time running water and sewer systems have been under construction for several years, and are currently scheduled to have a total of approximately 1,400 homes connected between 2009 and 2011:

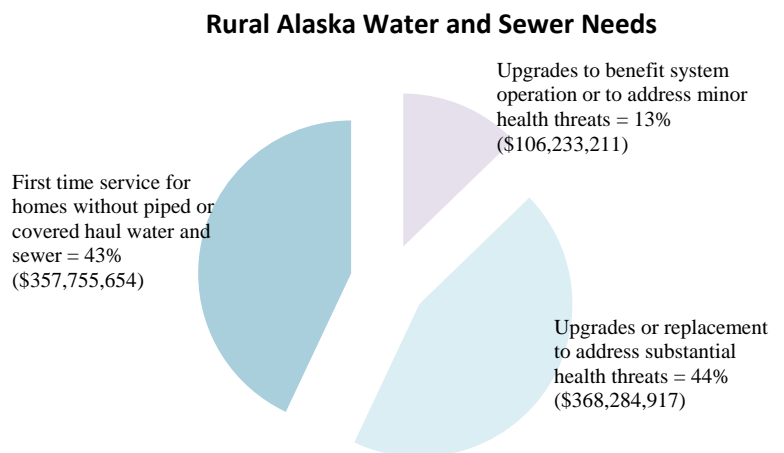
- Akiachak
- Akiak
- Buckland
- Chuathbaluk
- Fort Yukon
- Goodnews Bay
- Hooper Bay
- Hughes
- Kasigluk
- Kongiganak
- Nunam Iqua
- Quinhagak

State and federal funding invested to date in providing these sixteen villages with running water and sewer is well over \$100 million. Recent decreases in funding levels have slowed progress. Without significant future investments, completion of these and other projects will be deferred.

Remaining Needs

While considerable progress has been made, much remains to be done. One in four rural households still lack running water and a flush toilet and must utilize pit privies or honey buckets and self haul water.

Although the percentage of rural households with piped or covered haul service is the measure by which progress has long been assessed, as the adjacent pie chart shows, it only takes into account part of the picture. An equal amount of assistance is needed to upgrade or replace systems that are posing a substantial health threat. Note: The first time service category and the upgrades to address substantial health risks category are often combined and referred to as “critical needs”. Upgrades to benefit system operation or to address minor health threats are not considered critical and are mostly dismissed as secondary.



DEC Water, Wastewater and Solid Waste Grant Programs

- Facility Programs of DEC's Division of Water work with communities to develop and maintain sustainable water, sewer, and solid waste services in full regulatory compliance.
- There are two types of grant programs managed by DEC for sanitation projects. The Village Safe Water program offers 100% grant funding for smaller, rural communities and the Municipal Matching Grants program offers 60%-85% grant funding for larger communities.

Village Safe Water (VSW) Program

- VSW Funding comes from a combination of federal grants and state appropriations. The two primary federal funding sources (which have provided approximately \$40.0 million in FY2010) are the U.S. Department of Agriculture and the Environmental Protection Agency. The funding trend from these sources has been declining in the past four years. Funding through these agencies requires a 25% State match. In addition, the Denali Commission and the Indian Health Service have provided a recent average of \$10 million a year in 100% federal grants for projects through VSW.
- Communities apply each year for proposed sanitation project funding. Applications are scored, based heavily on the proposed project's ability to address critical public health needs, as well as the communities' demonstrated capacity to operate and maintain the facilities. Capital funding is requested for the highest ranking projects.
- Per a federal funding requirement established in 2004, the VSW CIP priority list is divided into two types of projects – those that can be completed in a single year and those that will take multiple years to complete.
- Projects that are estimated to take one year to complete receive full funding in a single fiscal year.
- The Multi-Year Priority List contains large, high scoring projects; however projects on the list are not prioritized. This allows the flexibility that is required in scheduling funding for multi-year projects. An unanticipated delay in one project will not hold up funding for a different project that is ready to go.

Funding for the construction phases of Multi-Year Priority List projects is granted based upon completion of design packages and chronological approval, available funding, and sufficient drawdown of existing project funds. In other words, this is a “first ready, first funded” list and new funds are not made available to a project until prior project grant funds for the project are exhausted. There are several projects on the Multi-Year list that are ready to proceed but have had to be postponed due to insufficient federal and state funds.

- In some cases, funding is transferred by VSW through the Indian Health Service to the Alaska Native Tribal Health Consortium, who in turn assists communities in design and construct of sanitation projects.

Municipal Matching Grants Program

- The Alaska Municipal Matching Grants program provides partial funding from General Fund appropriations and engineering support for drinking water, sewer, solid waste and non-point source pollution projects, such as water quality enhancement and waterbody restoration and recovery.
- These state grants primarily assist the larger communities and boroughs in the State.
- Each year, communities submit sanitation grant questionnaires which are scored weighing primarily the extent to which proposed projects address critical public health and environmental needs. Grants are awarded to the highest ranking projects as funding allows.
- Two years ago the Legislature amended the Municipal Matching Grants enabling statute to change the State/Local funding ratio of eligible project costs. The State share of project costs for grants awarded under the program are now:
 - 85 percent of eligible costs for a municipality with a population of 1,000 persons or less.
 - 70 percent of eligible costs for a municipality with a population of 1,001 to 10,000 persons.
 - 60 percent of eligible costs for a municipality with a population of greater than 10,000 persons.
 - The communities can borrow low interest (1.5%) loans from the Alaska Clean Water and Alaska Drinking Water funds managed by the Department to cover their portion of the match.