

# FISCAL NOTE

No. 3  
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STATE OF ALASKA  
 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected DEC  
 Title AK Bonding - AK Drinking Water Fund BRU Facility Construction and Operation  
 Component Facility Construction and Operation  
 Sponsor House Rules Committee  
 Requester Senate Resources Committee Component No. 637

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	62.2	120.7	120.7	120.7	120.7
Travel	0.0	7.5	14.6	14.6	14.6	14.6
Contractual	0.0	27.2	52.8	52.8	52.8	52.8
Supplies	0.0	1.0	2.0	2.0	2.0	2.0
Equipment	0.0	1.0	1.0	1.0	1.0	1.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>98.9</b>	<b>191.1</b>	<b>191.1</b>	<b>191.1</b>	<b>191.1</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	(1,551.4)	(1,551.4)	(1,551.4)	(1,551.4)	(1,551.4)
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1075 Clean Water Loan Fund	0.0	0.0	(395.5)	(455.3)	(455.3)	(455.3)
1100 Drinking Water Loan Fund	0.0	168.9	(380.4)	(448.4)	(448.4)	(448.4)
Drinking Water Fund Bond Recpts	0.0	1,551.4	1,551.4	1,551.4	1,551.4	1,551.4
Clean Water Administrative Fund	0.0	0.0	395.5	455.3	455.3	455.3
Drinking Water Administrative Fund	0.0	0.0	641.5	709.5	709.5	709.5
<b>TOTAL</b>	<b>0.0</b>	<b>168.9</b>	<b>261.1</b>	<b>261.1</b>	<b>261.1</b>	<b>261.1</b>

Estimate of any current year (FY2000) cost: 0.0

### POSITIONS

Full-time	0	1	2	2	2	2
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

### ANALYSIS: (Attach a separate page if necessary)

This legislation would provide for:

- 1) Using bond proceeds instead of GF Match to capitalize the Alaska Drinking Water Fund;
- 2) Deriving loan program operating costs from a portion of loan repayments deposited into two new administrative funds; and
- 3) Making loans to privately-owned utilities which are currently ineligible for the low-interest drinking water and wastewater loan programs.

Prepared by: Dan Easton, Director Phone 465-5135  
 Division Facility Construction and Operations Date/Time 4/10/00 7:48 AM  
 Approved by: [Signature] Date 4-10-00  
 Agency Dept. of Environmental Conservation

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## ANALYSIS: (Continued)

The Drinking Water and Clean Water Loan Programs offer low-interest loans to municipalities for drinking water and sewerage facility construction projects. Loans are made from the Alaska Drinking Water Fund and the Alaska Clean Water Fund. Both funds are capitalized by annual federal grants that require a 20 percent state match. The Funds also earn investment and repayment interest.

To date, the state capitalization match requirement for the Drinking Water Fund has been met with GF Match. Federal law provides an alternative to general fund outlays for satisfying the state match requirement. States may use bond financing as match for federal funds to capitalize the Fund, and repay the bonds from interest earnings from the Fund. Statutes (AS 37.15.560) currently provide the bonding authority for the Clean Water Fund needed to take advantage of this funding mechanism. This legislation would provide the same bonding authority for the Drinking Water Fund.

Beginning in FY 2002 there will be sufficient interest in the Alaska Drinking Water Fund to meet the match requirement. Interest will be converted to bond proceeds and supplant the annual general fund appropriation. The effect will be to save approximately \$1.5 million in GF Match that year and each year thereafter. Bonding costs will be about \$70.0.

This legislation would also provide authority to collect fees as a means of funding the operation of the two loan programs. Federal law allows states to set aside four percent of the federal capitalization grants to help pay for program administration. To date, annual program operating expenditures have been met with this set aside. As federal grants decrease and ultimately end in the next few years, the State will be left without a means of paying for program operating costs. To prepare for that, this legislation provides for using a portion of loan repayments to cover program operating costs. The legislation creates two new administrative funds into which a portion of loan repayments would be deposited. Money could then be transferred from these administrative funds to the operating budget to finance program operating costs.

This legislation also makes some privately-owned utilities eligible for the Drinking Water Loan program. Under current law, loan program eligibility is restricted to municipalities. This change has the potential to improve drinking water quality, but it also has the potential to produce a significant increase in the number of loans and drinking water construction projects to be managed by the program. The best estimate is that 133 privately-owned drinking water systems could become eligible for the program. We project an increase of 10 new loan projects each year -- roughly doubling the current pace at which loans are made. This will result in receiving and prioritizing new loan applications, executing additional loan agreements, guiding additional loan recipients through the federally-mandate environmental review process, additional and more complex credit worthiness and owner capacity assessments, reviewing additional documents to approve loan payments, issuing additional payment checks, reviewing and improving a substantial increase in the number of engineering plans, and additional construction inspections and associated travel costs. The first year will also require development of regulations governing this new class of loan recipients.

The department estimates that two new positions will be required to handle the increased loan processing and engineering workload. The first position will be needed by SFY 2002 and both by SFY 2003. In addition, contractual funding of \$50.0 will be used to contract for credit worthiness assessments, as well as assessments of owner managerial, technical and financial capacity as required by federal law.

# Personal Services New Position Detail

Department of Environmental Conservation  
HB 304 Personal Services - FY2003

Scenario: FY2001 Legislative Fiscal Note Info - 2  
Component: Facility Construction and Operations (637)  
BRU Name: Facility Construction and Operations

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Annual Count	COLA	Premium Pay	Annual Benefits	Total Costs
18-#032	Loan/Collection Off II	FT	A	GG	Anchorage	1A	18 C	12.0	47,004	0	0	15,236	62,240
<b>Justification:</b> Implementation of HB 304													
18-#033	Environ Eng Asst II	FT	A	GG	Anchorage	1A	17 C	12.0	43,860	0	0	14,617	58,477
<b>Justification:</b> Implementation of HB 304													
										Total Funding:		100.00%	62,240
										Total Funding:		100.00%	62,240

**Component Summary:**

Total New Positions: 2

Fund Description	Fund Percent	Fund Amount
1004 General Fund Receipts	100.00%	120,717
Total Funding:		120,717

Note: If a position is split, an asterisk (\*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (\*\*) will appear in this column.

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# Personal Services New Position Detail

Department of Environmental Conservation  
HB 304 Personal Services - FY2002

Scenario: FY2001 Legislative Fiscal Note Info - 2  
Component: Facility Construction and Operations (637)  
BRU Name: Facility Construction and Operations

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Annual Count	COLA	Premium Pay	Annual Benefits	Total Costs
18-#032	Loan/Collection Off II	FT	A	GG	Anchorage	1A	18C	12.0	47,004	0	0	15,236	62,240
Funding Detail: 1004 General Fund Receipts      100.00%      62,240													
Total Funding:											100.00%	62,240	

**Component Summary:**

Total New Positions: 1

Fund Description	Fund Percent	Fund Amount
1004 General Fund Receipts	100.00%	62,240
Total Funding:		100.00%
		62,240

Note: If a position is split, an asterisk (\*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (\*\*) will appear in this column.

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