

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 25, 2008

8:10 a.m.

MEMBERS PRESENT

Representative Anna Fairclough, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Kurt Olson
Representative Sharon Cissna

MEMBERS ABSENT

Representative Nancy Dahlstrom
Representative Mark Neuman
Representative Woodie Salmon

COMMITTEE CALENDAR

HOUSE BILL NO. 369

"An Act relating to certain grants awarded by the Department of Environmental Conservation."

- MOVED HB 369 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 369

SHORT TITLE: SANITATION AND WATER GRANTS

SPONSOR(S): REPRESENTATIVE(S) GATTO

02/19/08	(H)	READ THE FIRST TIME - REFERRALS
02/19/08	(H)	CRA, FIN
03/25/08	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE CARL GATTO
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 369.

RICK VANDERKOLK, Staff
to Representative Carl Gatto
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 369, answered questions.

MARIT CARLSON-VAN DORT, Legislative Liaison
Office of the Commissioner
Department of Environmental Conservation
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 369, answered questions.

DON BAIRD, City Manager
City of Bethel
Bethel, Alaska

POSITION STATEMENT: Testified in support of HB 369.

KATHIE WASSERMAN
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 369.

BILL ALLEN, City Manager
City of Palmer
Palmer, Alaska

POSITION STATEMENT: Testified that the passage of HB 369, with it's proposed reduction in local contribution, would go far in helping the City of Palmer expand.

GINGER BLAISDELL, Staff
to Senator Lyda Green
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 369, provided information.

BILL GRIFFITH, Program Manager
Facility Programs
Division of Water
Department of Environmental Conservation
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 369, answered questions.

ACTION NARRATIVE

CO-CHAIR GABRIELLE LEDOUX called the House Community and Regional Affairs Standing Committee meeting to order at [8:10:25 AM](#). Representatives LeDoux, Fairclough, Olson, and Cissna were present at the call to order.

HB 369-SANITATION AND WATER GRANTS

[8:10:42 AM](#)

CO-CHAIR LEDOUX announced that the only order of business would be HOUSE BILL NO. 369, "An Act relating to certain grants awarded by the Department of Environmental Conservation."

[8:11:04 AM](#)

REPRESENTATIVE CARL GATTO, Alaska State Legislature, speaking as the sponsor of HB 369, explained that this legislation raises the population of communities allowed such that the state can grant funds to municipalities to fix leaky pipes. He noted that although the fiscal note is [rather large], it's a one-time expense. He mentioned that there are communities with populations below 1,000 and those receive 100 percent funding through the Village Safe Water [Act]. Therefore, HB 369 allows communities with populations above 5,000-10,000 to take advantage of the program such that [the grants] allow them to fix issues related to public health.

[8:12:44 AM](#)

CO-CHAIR LEDOUX asked if the term municipalities includes boroughs.

REPRESENTATIVE GATTO confirmed that the term municipalities includes [cities and boroughs].

[8:13:38 AM](#)

CO-CHAIR LEDOUX surmised then that the City of Kodiak, with its population of about 6,000, would be eligible for a grant under HB 369.

REPRESENTATIVE GATTO replied yes, adding that the legislation increased the grant allowance.

[8:14:55 AM](#)

CO-CHAIR LEDOUX related her understanding then that the Kodiak Borough, with a population of around 14,000, would only qualify for the 50 percent [grant allowance].

[8:15:25 AM](#)

RICK VANDERKOLK, Staff to Representative Carl Gatto, Alaska State Legislature, responded yes, adding that [the legislation] doesn't change the [percentage] threshold. "This is just dealing with that 5,000-10,000 [population] threshold," he clarified. He mentioned that currently eight communities would be impacted by this.

[8:15:51 AM](#)

CO-CHAIR LEDOUX inquired as to what would occur to the fiscal note if the threshold was increased to a population of 15,000.

MR. VANDERKOLK deferred to DEC.

[8:16:22 AM](#)

MARIT CARLSON-VAN DORT, Legislative Liaison, Office of the Commissioner, Department of Environmental Conservation, said that it doesn't look as if the fiscal note would be significantly impacted, if at all, by increasing the population threshold to 15,000. In further response to Co-Chair LeDoux, Ms. Carlson-Van Dort said that an increase in the population to 15,000 would include the following cities: Sitka, Ketchikan, Kenai, Wasilla, Kodiak, Bethel, Palmer, and Homer.

[8:17:35 AM](#)

CO-CHAIR FAIRCLOUGH requested that Ms. Carlson-Van Dort speak to the value of the program.

MS. CARLSON-VAN DORT related her understanding that this program has been very beneficial to these smaller communities as it allows those communities with smaller population bases and less ratepayers to fund water and sewer projects without significantly taxing the rate-paying population. Ms. Carlson-Van Dort related DEC's support of HB 369.

[8:18:32 AM](#)

CO-CHAIR FAIRCLOUGH pointed out that she represents small communities within the Municipality of Anchorage where there are homeowners with five acre parcels that have effluent and bacteria-laden water and have to haul water daily. These homeowners can't afford the \$90,000-\$135,000 assessment to run the water through on the 50:50 state match formula. She inquired as to why the limitation is based on population rather than density of population in an area, particularly if all Alaskans are equal.

REPRESENTATIVE GATTO acknowledged such situations, but pointed out that larger lots that are more remote tend to have a personal septic system. The nearest sewer line from the city would be quite a distance and thus it would be very costly to extend it to remote areas.

[8:20:35 AM](#)

CO-CHAIR FAIRCLOUGH clarified that there are those inside the Municipality of Anchorage who are struggling for both assistance with septic disposal and water. She suggested that perhaps density of population versus population should be utilized [when determining these water and sewer allowances].

REPRESENTATIVE GATTO related his recent experience with replacing his well pump and noted that some would be devastated by such circumstances. This legislation offers help for some.

[8:22:40 AM](#)

CO-CHAIR FAIRCLOUGH inquired as to how many families the fiscal note will serve.

REPRESENTATIVE GATTO answered that he didn't know.

[8:23:03 AM](#)

CO-CHAIR LEDOUX asked if the sponsor would have any problems amending HB 369 to allow for 70 percent reimbursement for communities with populations up to 15,000.

REPRESENTATIVE GATTO responded that he does have concern with doing so because there is Senate legislation that will likely move rapidly. He indicated his desire to have his legislation match the Senate companion legislation in order that there is more likelihood of success.

[8:24:29 AM](#)

DON BAIRD, City Manager, City of Bethel, testified in favor of HB 369 as it will assist in the extension of [Bethel's] water and sewer capabilities. Currently, Bethel is under the Village Safe Water Program, which covers the installation and some repairs of existing lines. Only about a third of Bethel's population is on piped water and sewer while the remaining two-thirds utilize hauled water and sewer. For 1,000 gallons a week of water and sewer service, the cost is about \$230 a month. Increasing that would be devastating to the homeowners and ratepayers. Establishing a higher limit and decreasing the local share would be beneficial to those who have to pay the cost.

[8:26:13 AM](#)

KATHIE WASSERMAN, Alaska Municipal League (AML), testified in favor of HB 369. Ms. Wasserman informed the committee that there are three communities on the cusp of populations surpassing 5,000. Those communities are Unalaska, Valdez, and Barrow. She pointed out that without the passage of HB 369 the entire population of all eight of the impacted communities could be negatively impacted because replacement of the pipes could cause an increase in taxes. These are growing communities that AML would hope would receive help in repairing and making improvements to existing pipe systems.

[8:27:16 AM](#)

CO-CHAIR FAIRCLOUGH inquired as to how many more projects would go forward with this \$2.7 million fiscal note.

[8:27:43 AM](#)

MS. WASSERMAN, to Co-Chair LeDoux's earlier question, highlighted that most boroughs don't usually exercise or have the powers to address sewer and water. Furthermore, cities usually perform water and sewer improvements and boroughs fall under the definition of municipalities.

[8:28:38 AM](#)

BILL ALLEN, City Manager, City of Palmer, explained that current statute specifies that the local contribution is based on the reported population. The desire is to reduce the local contribution by 20 percent with HB 369. As mentioned earlier,

there are eight communities that will be impacted with three on the edge. From a local perspective, although Palmer has a population of 5,574 and growing, it's unable to maintain or get ahead of the infrastructure [needs] in terms of the growth factor. Because of the high cost of heating fuel and the lack of employment in rural communities, migration into the Palmer area and the Mat-Su Borough as a whole is occurring. However, [Palmer] doesn't have adequate sewer and water to serve the population at the rate it's increasing. If the proposed law was in place today, the funds would be used to improve the existing system. He related that the City of Palmer has thin-walled steel pipe for the water system that's almost 50 years old. The water leakage rate is 40 percent; that is the city loses 40 percent of the water it generates because of corroded pipes. He pointed out that across the 1,700 ratepayer base several million dollars over several years results in a significant impact. Furthermore, the City of Palmer is facing an issue of noncompliance on the wastewater treatment plant because the Environmental Protection Agency (EPA) has developed new standards and the city has two years to comply with those. If the City of Palmer did what was required to be in compliance with the EPA for the wastewater plant, it would amount to over \$50 million. Therefore, the City of Palmer has approached Wasilla and the Mat-Su Borough and suggested forming a regional wastewater treatment plant. Although the aforementioned would cost \$100 million, the EPA only allows a permit for one outfall.

MR. ALLEN then pointed out that the City of Palmer is only 5 square miles and is reviewing an aggressive annexation. Therefore, the city would like to be in a position to provide city water and sewer within a certain timeframe. The passage of HB 369, with it's proposed reduction in local contribution, would go far in helping the City of Palmer expand. He noted that the population requirements of [AS 46.03] haven't changed since 1994.

[8:35:22 AM](#)

REPRESENTATIVE CISSNA remarked that the safe water aspect is central to this [discussion]. She expressed interest in taking into account the age of communities in relation to the decay of infrastructure as it relates to safe water. She then asked if DEC has a list.

[8:37:56 AM](#)

GINGER BLAISDELL, Staff to Senator Lyda Green, Alaska State Legislature, explained that the fiscal note is for one year of funding because each year cities must apply for the program. The department doesn't know how many cities will apply or which cities might apply. Therefore, DEC really doesn't know the out-year costs, although there will be future costs. With regard to how many people it will serve, she pointed out that will depend upon who applies. Moreover, only a certain number of grants can be approved due to legislative appropriation. Ms. Blaisdell informed the committee that this program started as the Federal Clean Water Act in the late 1980s, but changed to the Alaska Clean Water Act in the late 1990s when the federal program [was eliminated]. She noted the Alaska Clean Water Act follows the same rules that were required under the federal Act.

[8:39:59 AM](#)

REPRESENTATIVE CISSNA surmised that due to the population restrictions there is a limit as to the number of applicants.

MS. BLAISDELL highlighted that cities with a population of 1,000 or less have a 15 percent match. Those communities without an economic base that can pay the 15 percent match may not apply. Those cities with a population of up to 5,000 have to match 30 percent of the project. If DEC isn't convinced that applying communities have the economic base to fund the match, then those communities likely won't be ranked high enough to be awarded the grant. This legislation addresses those communities with a population of just over 5,000 up to a population of 10,000 and changes the required match from 50 percent match to 30 percent.

[8:41:59 AM](#)

REPRESENTATIVE CISSNA inquired as to how many communities applied last year. She also inquired as to whether the funds were completely utilized or were funds left over.

MS. BLAISDELL related her understanding from DEC that although it takes a couple of years for projects to reach completion, the department anticipates the cities will use all the awarded funds for the water and sewer projects.

REPRESENTATIVE CISSNA clarified that she's interested in the total amount that the state has and the impact on the funds allocated.

[8:43:23 AM](#)

BILL GRIFFITH, Program Manager, Facility Programs, Division of Water, Department of Environmental Conservation, confirmed that these [water and sewer] projects are typically multiple year capital projects that can take anywhere from one year to five years to complete. He also confirmed that it's DEC's experience that communities requesting these funds do utilize them for the intended purpose. Mr. Griffith added that for FY 09 funding, DEC received about \$52 million in grant requests and this year the department is requesting about \$26 million to be funded by the legislature for these projects. Therefore, DEC is requesting funds for about half of the overall requested projects.

[8:44:35 AM](#)

MR. GRIFFITH, in response to Representative Cissna, specified that this year the difference in cost to fund the same number of projects is about \$3.7 million. If HB 369 were to pass, the extra cost to fund the same number of projects will depend on the number of grant applications from the cities within the population range. The aforementioned varies every year. As Ms. Blaisdell mentioned, there's an annual grant application period that runs from May through July and each year [the request] depends upon which cities apply for funding, for how much they apply, and how high the [project] scores. The department has a prioritization system and scoring criteria. Mr. Griffith said that although he doesn't know which communities will apply or how well their projects will score, he said that one should expect that each year there will be some additional costs to the state as it will be paying a greater percentage of the overall project costs in these cities.

[8:48:01 AM](#)

REPRESENTATIVE CISSNA remarked that some communities simply don't have safe water. She then inquired as to the percentage of communities applying that are remote or rural communities. She also inquired as to how HB 369 helps increase the safety of Alaska.

MR. GRIFFITH pointed out that there are two different programs and capital funding requests are involved. This legislation would impact the matching ratio for those communities applying through the municipal matching grant program. Most small rural communities are eligible for capital funding through the Village Safe Water Program, which doesn't require a capital match. The

eligibility requirements of the Village Safe Water Program allow all second class cities to apply as well as first class cities and unincorporated communities with a population less than 600. The aforementioned encompasses over 200 communities in the state and most of the smaller rural communities. He noted that DEC has a separate capital request for those projects under the Village Safe Water Program. The department receives 75 percent of the funding for projects under the Village Safe Water Program from the federal government and the state is only required to provide a 25 percent match with state funds. Generally, DEC requests the required state match for federal funds available. It's a separate decision for the legislature to determine how much funding to provide for the municipal grant projects, he explained.

[8:51:53 AM](#)

REPRESENTATIVE CISSNA requested information regarding the Village Safe Water Program and the funding amount in order compare to the existing systems.

[8:52:34 AM](#)

MS. BLAISDELL returned to an earlier question regarding the impact of increasing the population threshold to 15,000. She reminded the committee that it wasn't that long ago that Ketchikan and Sitka were close to the 10,000 population threshold. Changing the population to 15,000 would certainly result in appreciation of a more attractive match rate. Ms. Blaisdell specified that there aren't any specific cities with populations between 10,000 and 30,000. Therefore, raising the population threshold might result in an economic boost to those communities close to 10,000. She indicated that Palmer, with it's potential annexation, may fall into such a category. The 10,000 population threshold was chosen as the next rounded number of population, which would include the few cities just above the 5,000 threshold that don't have a high enough population base to pay the additional costs of that economic growth.

[8:54:22 AM](#)

CO-CHAIR LEDOUX, upon determining no one else wished to testify, closed public testimony.

[8:54:35 AM](#)

CO-CHAIR FAIRCLOUGH moved to report HB 369 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

[8:55:17 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [8:55:21 AM](#).