

SENATE FINANCE COMMITTEE

March 3, 2021

9:01 a.m.

[9:01:39 AM](#)

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Lyman Hoffman  
Senator Donny Olson (via teleconference)  
Senator Bill Wielechowski  
Senator David Wilson

MEMBERS ABSENT

Senator Natasha von Imhof

ALSO PRESENT

PRESENT VIA TELECONFERENCE

Ruth Kostik, Administrative Services Director, Department of Environmental Conservation, Office of Management and Budget, Office of the Governor; Carrie Bohan, Facilities Services Program Manager, Department of Environmental Conservation; Randy Bates, Director of Water, Department of Environmental Conservation.

SUMMARY

VILLAGE SAFE WATER - FUNDING HISTORY, PROJECTED NEED, AND FY22 PROPOSAL

^VILLAGE SAFE WATER - FUNDING HISTORY, PROJECTED NEED, AND FY22 PROPOSAL

[9:03:05 AM](#)

Co-Chair Bishop discussed the agenda. He referenced a spreadsheet entitled "Village Safe Water Funded Projects 2011-2021" (copy on file).

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RUTH KOSTIK, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), explained that the presentation focused on the program and its budget and funding history.

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CARRIE BOHAN, FACILITIES SERVICES PROGRAM MANAGER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (via teleconference), discussed a presentation entitled "Department of Environmental Conservation - Senate Finance Committee - February 26, 2021" (copy on file).

Ms. Bohan turned to slide 2, "Village Safe Water":

Village Safe Water's mission is to support rural communities in their efforts to develop sustainable sanitation facilities

- Communities with a population less than 1,000 per AS 47.07.080

We accomplish this mission by:

- Funding planning, design, and construction of water, wastewater, and solid waste projects
- Providing project management and oversight for grant funded projects

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Ms. Bohan showed slide 3, "Village Safe Water: Project Assessment":

Project grant applications are scored primarily on how they address critical public health needs and capacity to operate and maintain facilities

- Current level of service
- Beneficial health impact provided by the project

- Relationship to other project phases
- Operation, maintenance, and management capabilities

High scoring projects added to the Multi-Year Priority List

Ms. Bohan expounded that by placing the highest scoring projects on the multi-year priority list the Department of Environmental Conservation (DEC) could fund portions of multiple projects each year and commit to providing additional funding as needed in subsequent years to completion. The multi-year priority list gave DEC the flexibility to affect more projects each year versus completely funding one or two projects.

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Senator Hoffman inquired about emergency situations. He discussed the community of Tuluksak, where the village water utility burned down. He relayed that the community received very little assistance from the state and developed a multi-party solution between the federal government and others. He asked if the Village Safe Water (VSW) Program had provisions to address a complete collapse of water systems such as in Tuluksak and inquired how the state could be better prepared to address emergency situations. Ms. Bohan answered that the situation in Tuluksak was unusual. She reported that DEC had been supporting the community of Tuluksak primarily through the Remote Maintenance Worker program. She explained that DEC partnered with the Yukon Kuskokwim Health Corporation (YKHC) and provided annual grant funds to provide onsite assistance to rural wastewater operators and first responders that dealt with sanitation systems. The remote workers from the health corporation were the first on sight to assess the situation. She maintained that the department had been working with YKHC to find funding sources. She indicated that while VSW did not have the resources to address an emergency, the program was involved with entities like Indian Health Service (IHS) and the Environmental Protection Agency (EPA) to identify long and short term funding sources and would directly manage the project to rebuild the plant.

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Senator Hoffman shared that he had numerous conversations with the president and CEO of the YKHC, who had initiated the Remote Maintenance Workers project in the region. He asserted that there needed to be a better solution from the state. The village was out of water for several weeks. He thought it was an unacceptable situation and noted that the emergency declaration was declared late in the process. He believed that the people of Tuluksak were put at a greater risk due to COVID. He hoped that the Village Safe Water Program would develop a better solution for dealing with emergencies and bring it to the administration and legislature.

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Co-Chair Bishop commented that the committee wanted to hear about the emergency reaction plan once it was developed.

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Ms. Bohan spoke to slide 4, "Village Safe Water: Average Project":

Cost to provide running water and sewer to individual homes in a village for the first time

- \$350 - \$750 thousand per/home

Projects typically last 5-10 years to completion, depending on

- Size and complexity of the project
- Availability of funds
- Ability of community to meet ongoing construction funding conditions

Ms. Bohan detailed that the VSW funded a variety of projects such as developing a new water source, building a new water storage tank, constructing a sewage lagoon, and replacing deteriorating water lines.

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Co-Chair Bishop asked if the example project on the slide represented a typical piped water system from a central supply. Ms. Bohan answered in the affirmative. Co-Chair Bishop asked if the program worked with the Cold Climate Housing Research Program at the University of Alaska Fairbanks (UAF). He shared that the program was on the

"cutting edge" of renewable systems that were able to lower costs. Ms. Bohan relayed that the program collaborated with a variety of partners on innovation. She was unaware of any efforts of collaborating with the cold climate program. Ms. Kostik would be touching on the topic of innovative efforts to embrace newer technologies. She mentioned the challenge of not placing the community in the position of being a test case for a new technology and opted for long term successful solutions. Co-Chair Bishop advised that it was important to work closely with communities to right-size the system for the size of the community.

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Ms. Bohan discussed slide 5, "Village Safe Water: Typical Project Timeline," which showed a flow chart of the timing a typical project. She described the process. She indicated that each spring VSW accepted applications for new planning projects, evaluated the projects and awarded the grants by the following fall. The planning project typically took 9 to 12 months to complete and put the project in its second year. She furthered that in year 3 the project applied for design and construction funding that was awarded by the fall of the third year. She reiterated that projects would be put on the multi-year priority list. She noted that design could take one to two years depending upon the complexity of the system. The design completion allowed for a complete understanding of the construction funding need. By the spring of year 5 construction funding was awarded a year at a time and construction was completed within two to three years; construction was completed by years 6 or 7.

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Senator Hoffman noted that the lead agencies were the Alaska Native Tribal Health Consortium (ANTHC) and VSW. He asked how the projects were divided between the two agencies and whether ANTHC followed that same projected timeline as depicted on slide 5. Ms. Bohan replied that all the communities were assigned support from either VSW or ANTHC based on a traditional level of service. The goal was to offer equivalent service regardless of the agency involved. The timelines were the same.

Co-Chair Bishop asked how long VSW kept final design documents in its archives. He referenced Tuluksak and deduced that if the original water system plans were kept

the replacement work could resume very quickly. Ms. Bohan agreed with the statement. She qualified that VSW had operated for 40 years, and she could not ensure that all records were readily accessible. She relayed that Tuluksak had already been considering a new water treatment plant. A new set of wells had been drilled and there was a planning document drafted in 2018, that had been considered by the various funding agencies as a future project. The plan was to rebuild the washeteria in a new location with better construction, which called for a new plan. However, VSW would evaluate each circumstance on its own merit on whether to start from scratch or pick up with existing documents.

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Ms. Bohan referenced slide 6, "Village Safe Water: FY 2021 by the Numbers:"

#### Planning Projects

- \$1.9 million funding made available
- 19 studies for 19 communities
- Project range: \$25,000 -\$240,000

#### Construction Projects

- \$62.5 million funding made available
- 19 ongoing construction projects and 13 new construction projects
- Project range: \$300,000 - \$9.3 million

#### IHS & EPA Tribal Construction Projects

- \$48 million funding made available
- 35 construction projects
- Project range: \$65,000-\$7.1 million

Ms. Bohan explained that the slide data was taken from "real life examples" and were the numbers for the current fiscal year.

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Senator Wilson asked if the type of funding impacted the timeline. Ms. Bohan responded in the affirmative. She offered that VSW accepted applications in the spring that allowed for grant funding distribution in the fall of the same year. Projects under the IHS or EPA were referred to as the Sanitation Deficiency System (SDS) and were not

funded until the following spring so there was a six-month difference in the timing of when the funds were available for SDS projects. She pointed out that VSW was involved with IHS and EPA in awarding SDS grants.

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Senator Hoffman asked if the state provided additional funding for the 25 percent match for federal dollars would the state be available to procure more federal money. He shared that the federal COVID bill was passed by the House of Representatives and contained \$1.4 billion for projects for Alaska and in addition \$600 to \$800 billion was slated for local and state governments. He wondered if VSW had any involvement in forwarding the needs of Alaska for some of the COVID funding for water systems. He emphasized that water systems were a critical need in the fight against COVID. Ms. Bohan replied that presently the state was providing matching funds for all available federal funds, and additional state match would not make more federal funds available. She explained that regarding future funding opportunities, VSW worked with IHS and ANTHC to maintain the IHS's SDS data base. She explained that all known sanitation needs were listed in the data base along with possible solutions and cost estimates. She relayed that Ms. Kostik would be addressing the topic in greater detail shortly. She mentioned that the data was shared with the state's federal delegation. She remembered that the amount of \$1.3 billion was calculated in the prior year for the overall sanitation improvements in the state.

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Senator Hoffman clarified that he was not referring to prior COVID funding but was citing the amount of the next round of COVID funding slated for Alaska, tribal and local governments. Ms. Kostik deferred the answer to her colleague concerning discussions with the Alaska delegation and what was in the bill for Alaska's sanitation needs.

RANDY BATES, DIRECTOR OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (via teleconference), replied that the department had been working with the congressional delegation and that Ms. Bohan's answer had been correct. The department relayed the SDS list containing projects for new service and repairs in the amount of approximately \$1.4 billion. The funding would be new money for new projects in

the state and not from the pipeline of original funding for VSW the state received each year.

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Co-Chair Bishop asked about the \$1.4 billion submitted to the delegation. He wondered if it was a complete list of the need in the state. Ms. Bohan responded that the amount signified the complete list of projects that had been identified in the spring of the prior year. She delineated that it included fully "piping" all unserved communities and repair and replacement of existing systems in all communities where need had been identified. Co-Chair Bishop referenced another infrastructure funding bill that was under consideration in Congress and thought it was an additional opportunity for funding sanitation projects.

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Senator Wilson asked if the department could comment on how projects had been impacted by COVID-19. Ms. Bohan answered that she would provide the list of projects impacted by COVID and could not currently provide a figure. She shared that most projects had been delayed up to the entirety of the prior summer. She indicated that the primary concern had been introducing COVID into communities via the construction crews. She discussed the very short construction season in the state and the challenge of safely administering projects within the short timeline. There were potential financial impacts to projects because of the wider-spread COVID-19 impacts and the COVID related delays in manufacturing and shipping. She anticipated moving forward as close to normal as possible in the upcoming season.

[9:39:08 AM](#)

Ms. Bohan looked at slide 7, "Village Safe Water: Supporting Rural Sanitation:"

Work with partners to support communities in their efforts to build technical, financial, and managerial capacity

Provide water and wastewater system operator training and certification

## Remote Maintenance Workers

- Funded through federal grants from EPA and USDA and associated state match in the operating budget
- 15 Remote Maintenance Workers at DEC and regional health corporation provide onsite training and technical assistance
- Emergency response and support

Village Safe Water does not provide funding for ongoing maintenance and operations of systems

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Senator Hoffman asked if the number of remote maintenance workers was adequate. He explained that the area served by YKHC was larger than the State of Washington and served 56 villages with a large population of rural Alaskans. He noted the example of only 10 remote workers in the Yukon Kuskokwim area. Ms. Bohan replied that VSW did continually monitor the adequacy of the number of remote workers in the various regions and would adjust resources accordingly if warranted. She explained that based on DEC's understanding and feedback from the communities, VSW felt that the current level of service was appropriate. She acknowledged that there were regions with different circumstances. She elucidated that in Southeast and Southcentral Alaska a remote maintenance worker could provide service to more communities versus in communities with higher needs. In higher need areas each remote worker was assigned to a smaller number of communities to ensure the level of service was met. She felt the level of service was sufficient. Senator Hoffman wondered if he asked the CEO of YKHC or any other native corporations in his district whether he would get the same response. Ms. Bohan hoped that the same response would be given. She reiterated that VSW stayed in close communication with the communities. She offered that the corporations applied to VSW each year to request funding and could identify the need for additional staffing. She informed the committee that she had managed the Remote Maintenance Worker program for 8 years and she had increased the number of workers in the Norton Sound and Yukon Kuskokwim regions by one worker in each region. She recounted that VSW engaged in conversations regarding the number of remote workers each year. She voiced that VSW

would be happy to engage in discussions regarding the need for more remote workers in the coming spring.

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Co-Chair Bishop referenced operator certification and training and asked how the activities had been affected by COVID-19. Ms. Bohan responded that VSW did not directly offer training but facilitated finding training opportunities. She indicated that most service providers moved to online training. She had initially doubted the success of online training but had been surprised by the creative approach. She used the example of continuing education requirements. She noted that there were fewer operators that had lapsed their certification renewal due to lack of continuing education units. Co-Chair Bishop surmised that individuals were still able to get certified. Ms. Bohan responded in the affirmative.

[9:47:02 AM](#)

Ms. Kostik addressed slide 8, "Village Safe Water: FY2022 Gov Amend Request (in thousands):"

- \$70,812.0 FY2022 Governor's Amended
  - \$52,250.0 Fed
  - \$18,062.0 AHFC Bonds (match)
  - \$500.0 SDPR

First Time Service

Expansion, Upgrade, and Replacement of Existing Service

Gov Amend is an increase of \$2,332.0 of match due to increased federal support

Ms. Kostik noted that the increase was a result of the federal funding that passed in late December, which was an increase of \$7 million from FY 2021 from the EPA. She reminded the committee that the VSW match was appropriated from the Alaska Housing Finance Corporation (AHFC) bond proceeds. There was a bill moving through the legislature regarding the transaction [SB 54/HB 74 - AHFC Water & Sewer Bonds/Transportation]. She detailed that there was sufficient federal authority to accept the \$52.250 million. The money would be spent over several years due to the

timeline of projects. There were only two allocations for VSW as listed on the slide.

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Senator Wilson looked at the projects on the spreadsheet and considered the lifetime of equipment that was being upgraded. He pointed to a project that had received an upgrade and 8 years later received a complete water overhaul and two years later received another upgrade to the same plant. He wondered whether they were expansions or maintenance issues. Ms. Bohan thought there might be a couple of factors to consider when looking at the list. She discussed that the way VSW worked through the multi-year priority list was to award new grants each year to fund an ongoing construction project. She guessed that what he referenced was ongoing supplemental funding for ongoing repair or replacement for a particular project. She noted that the titles of projects were generic, and Senator Wilson might be looking at two similarly titled projects for different portions for the same community for things like replacing distribution lines in different subdivisions. She explained that generally the expectation of the lifetime of sanitation infrastructure in rural communities was 40 years.

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Co-Chair Bishop requested the number of projects being funded with the \$70 million listed on slide 8. Ms. Bohan did not have a definitive list of the projects that might be funded. Co-Chair Bishop asked if the funding approved in the current year would not be available until 2022. Ms. Bohan specified that the funding would be available in the fall of 2021.

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Senator Olson discussed lifespans of water systems existing prior to VSW's existence. He cited issues in the communities of Selawik and Unalakleet, in his district. He asked what kind of programs were available to mitigate the issues. Ms. Bohan thought the examples of Selawik and Unalakleet were different. The freeze-ups in Selawik were due to power outages, and not directly related to the wastewater utility itself. She acknowledged that Unalakleet was one of the first systems built and one of the oldest

distribution systems. The department was looking into long term solutions, had already developed a plan and had a replacement cost estimate for replacing the distribution system. She relayed that the project was a multi-year plan. The community was currently positioned to pursue funding due to its collaboration with VSW. The short-term solution was more challenging and was under discussion

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Senator Olson was concerned that with low water pressure, lack of potable water, and increased risk of pipes freezing. He thought the immediate need was more important to consider in the short term and the long term would take care of itself.

Co-Chair Bishop relayed that VSW heard his concerns.

[9:56:35 AM](#)

Ms. Kostik reviewed slide 9, " Village Safe Water: FY 2021 Supplemental Request (in thousands):"

\$3,650.0 GF Match

First Time Service

Expansion, Upgrade, and Replacement of Existing Service

Due to increased federal support

Ms. Kostik noted that there was a higher level of funding from the EPA. She remarked that the federal funding was approved very late in the state's budget cycle and had to be included in the supplemental request. Co-Chair Bishop deduced that there were 13 projects for FY 2021. He asked if the project list would grow due to the supplemental. Ms. Kostik relayed that funding was allocated for FY 2021 based on the full amount of the federal awards and operated on the assumption that if the department needed to borrow from FY 2021 to push match back to the prior year it would do it. There would be no additional projects with the match; the funds made the funding whole.

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Ms. Kostik presented slide 10, "Village Safe Water: Funding Sources," which showed a flow chart of funding sources and the corresponding allocations. She delineated that the chart gave the full scope of funding sources that flowed into the VSW program. She pointed to the left that depicted the state match, USDA Rural Development funding, and the EPA Infrastructure grants that flow through the traditional funding route through the multi-year priority list. She pointed to the SDS list on the middle right and explained that the funding flowed through from IHS and EPA tribal Safe Drinking Water Act and the Clean Water Act. On the far right there was one more pot of funding from IHS Housing Priority System (HPS) system. She noted that SDS and HPS did not require state matching funds. She noted that the colors on the fund sources would match the chart depicting the funding history on the next slide.

[10:00:03 AM](#)

Senator Wilson asked if the Denali Commission had provided funding for VSW in the past. Ms. Bohan explained that the Denali Commission had not directly provided funding to VSW, but it was presently a partner in the funding source for SDS as part of IHS money in the amount of roughly \$2 million.

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Senator Hoffman recalled that the committee considered the Major Maintenance List two weeks previously and noticed that several schools had broken water systems. He wondered whether a community could apply to VSW on behalf of a school. Ms. Bohan answered that generally a project to support just a school was not eligible for VSW funding. However, serving a school as part of a larger project was possible. She added that often it was critical for a project to include a school because it became a significant financial contributor that made the system affordable for the community. There were communities in which schools had its own independent water system and would not be eligible for VSW assistance. Senator Hoffman understood that it was advantageous for a school to be part of the community's water system. Ms. Bohan answered in the affirmative.

[10:03:14 AM](#)

Ms. Kostik displayed slide 11, "Village Safe Water: Funding History," which showed a bar graph entitled "Funding for Rural Water and Sewer Improvements SFY2017 - 2021." The bar graph showed a five-year funding history. She detailed that the state match was depicted in green, EPA funding was shown in gold, and USDA-RD was designated in purple; the federal funding required a state match. The IHS money was represented in blue, and the EPA Tribal funding was shown in brown; both funding sources did not require a state match. She pointed out that the federal dollars had increased significantly in recent years.

Co-Chair Bishop observed that the IHS brought a lot of resources to the state.

[10:04:14 AM](#)

Ms. Kostik spoke to slide 12, "Rural Alaska Sanitation Funding Need," which showed a pie chart titled "Rural Alaska Sanitation Funding Need = \$1,821,446,807." The pie chart depicted the total SDS funding need. The blue portion [68 percent] encompassed all first time service projects and reflected the traditional piped systems totaling roughly \$1.2 billion.

Co-Chair Bishop deduced that 68 percent of rural Alaska did not have any sanitation service. He wondered whether he was correct. Ms. Kostik responded in the negative. She reported that DEC had a performance measure that showed approximately 98 percent service. The cost was so large because the remaining communities were the most challenging to serve due to things like location, logistics, permafrost, etc. Co-Chair Bishop believed that the slide was misleading. Ms. Kostik clarified that the pie chart reflected only the cost of unserved homes.

[10:06:58 AM](#)

Senator Hoffman thought the number on the slide was "daunting." He asked if all the requests for projects fell under AS 47.07.080 that specified a population size of one thousand and under. He asked whether there was a list of projects for communities over one thousand residents. He referred to the spreadsheet list on page 8 for 2020. He cited a project for the community of Kotzebue and noted that its population was over one thousand.

Ms. Bohan explained that Kotzebue and Bethel were eligible for VSW by their designations as second class cities. She related that currently Kotzebue received funding for a new water treatment plant in the amount of \$27 million. She informed the committee that for the communities that fell outside of VSW eligibility, DEC had a low interest long term revolving loan program.

[10:09:16 AM](#)

Ms. Kostik addressed slide 13, "Alaska Water & Sewer Challenge Project":

Conventional systems are expensive to construct, maintain and replace

Many communities cannot afford the high operation and maintenance costs.

Available funding is not adequate to serve remaining homes and make needed improvements

Innovative approaches are needed to address health problems associated with water and sewer system deficiencies

Focus on decentralized systems that provide treatment, recycling, and water minimization

Pilot testing at UAA delayed due to COVID, anticipated to begin in fall 2021

Ms. Kostik elaborated that in 2013 DEC launched the Alaska Water & Sewer Challenge Project that was a research and development project to try to build a better water system for single homes that was self-contained. The goals were to keep the cost to \$160 thousand per home and be easily maintained. She noted that DEC was working with the EPA to set the standards for the recycled water. The project was in phase 5 with one model and testing in a community was slated to happen after the standards were developed. She commented that community involvement would be critical to the project.

[10:12:14 AM](#)

Senator Hoffman asked if there were any communities remaining "on the honey bucket system" presently. Ms. Bohan relayed that there were currently 32 communities listed as unserved. She noted that two of the communities were slated for service and had received funding. She believed that the remaining communities presented a significant challenge for receiving service.

Senator Hoffman wanted to thank all the people that worked at the VSW Program. He communicated that when a community received service it was a life changing situation. He thought many people in the state did not realize the luxury of having in-home water and sewer. He emphasized the importance of the program and reiterated his appreciation of the work of VSW.

Co-Chair Bishop echoed Senator Hoffman sentiments.

Co-Chair Bishop discussed the agenda for the following day.

#

ADJOURNMENT

[10:15:43 AM](#)

The meeting was adjourned at 10:15 a.m.