

SENATE FINANCE COMMITTEE
February 8, 2022
9:05 a.m.

[9:05:16 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Carrie Bohan, Facilities Services Program Manager, Department of Environmental Conservation; Ruth Kostik, Administrative Services Director, Department of Natural Resources; Randy Bates, Director, Division of Water.

SUMMARY

VILLAGE SAFE WATER AND WASTEWATER CAPITAL PROJECTS

^VILLAGE SAFE WATER AND WASTEWATER CAPITAL PROJECTS

[9:06:37 AM](#)

AT EASE

[9:09:12 AM](#)

RECONVENED

[9:09:26 AM](#)

AT EASE

9:11:25 AM
RECONVENED

9:12:19 AM

RUTH KOSTIK, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, introduced herself.

Co-Chair Stedman HANDED the GAVEL to Co-Chair Bishop.

9:12:42 AM

CARRIE BOHAN, FACILITIES SERVICES PROGRAM MANAGER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, discussed, "Department of Environmental Conservation, Senate Finance Committee" (copy on file). Ms. Bohan looked at slide 2, titled "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 46.07.080

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

9:13:51 AM

Ms. Bohan addressed slide 3, titled "Rural Alaska Sanitation Funding Need." She informed the committee that the pie chart contained information compiled by the Indian Health Service's (IHS) Sanitation Deficiency System (SDS). The total rural sanitation funding need totaled \$2.27 billion as of the fall of 2021. The most significant portion was for first time service in unserved communities [61 percent]. The second highest need was for upgrades to benefit system operations or to address minor health threats [22 percent]. The last portion [17 percent] was for upgrades to address substantial health threats.

9:14:58 AM

Co-Chair Bishop brought up the state's \$2 billion in deferred maintenance needs and \$1 billion in bulk fuel

upgrade shortfalls. He noted the \$1.3 billion for first time service and wondered if it would rid rural Alaska of the "honey bucket" system. Ms. Bohan answered in the affirmative.

[9:16:09 AM](#)

Ms. Bohan pointed to slide 4, titled "Unserved Communities." She indicated that she provided additional backup information and referred to the document titled "Unserved Rural Alaska Communities" (copy on file) that listed the unserved communities as contained in the slide and included the definition as "Communities in which 55% or less of the homes are served by a piped system, septic tank and well, or covered haul system." She noted that the communities marked by an asterisk on the slide already had funding committed to provide service. She added that the communities of Lime Village and Crooked Creek would receive septic tank and well systems and Tununak and Shageluk would receive pipe service. She pointed out that the cost estimate data and monthly user rates based on a 2016 Engineer Report commissioned by Village Safe Water (VSW) was outdated along.

[9:18:02 AM](#)

Senator von Imhof requested a map of unserved communities and wondered whether unserved communities were located near enough to produce economies of scale. She wondered if many communities could use the same type of system or needed unique systems. Ms. Bohan pointed out that the handout included a listing of the region where each community was located. She pointed to the Yukon-Kuskokwim, Interior, and Norton Sound areas that had the highest number of unserved communities. She answered that most of the communities were remote and could not connect to an existing system. She noted that there were 30 communities that had major engineering, construction, and capacity challenges that warranted a distinct design. Each of the communities had such unique circumstances that it was not possible to utilize economies of scale and replicate one package that fit all needs. The department had pursued modular units, but they were not cost efficient.

[9:21:27 AM](#)

Senator Wilson asked where the 55 percent distinction was derived from. She did not know agreed to provide the information.

[9:22:01 AM](#)

Senator Hoffman voiced that VSW was an important issue for Western Alaska, especially in the time of COVID 19. He agreed with the cookie cutter approach referred to by Senator von Imhof. He hoped VSW would work extensively to develop the approach. He inquired about the best practice scoring and if VSW received community feedback on the issue.

[9:23:46 AM](#)

Co-Chair Bishop asked for VSW to rank the funded projects in priority order. He asked if the list of funded unserved communities' projects would start in the current year. Ms. Bohan answered that the information was on the list for unserved communities. Co-Chair Bishop wanted a list of all the funded projects by village in the current year.

Senator Hoffman requested the population of underserved communities as well. Ms. Bohan agreed.

[9:25:44 AM](#)

Ms. Bohan displayed slide 5, titled "Village Safe Water: Average Project":

- Cost to provide running water and sewer to individual homes in a village for the first time
 - \$500 - \$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

[9:26:43 AM](#)

Senator von Imhof asked if VSW installed typical toilets or composting toilets. Ms. Bohan answered that most of the toilets were traditional toilets, however in some

communities the toilets used a vacuum system. Senator von Imhof hoped that Ms. Bohan would address the maintenance of the systems later in the presentation. She shared that she had visited communities with very complex systems and villages with simple systems. She observed that the simple systems worked well.

[9:28:22 AM](#)

Ms. Bohan discussed slide 6, titled "Village Safe Water: Funding Sources," which showed a flow chart of its funding sources and the corresponding allocations. She pointed to the left side of the slide that depicted the Capital Improvement Project (CIP) allocation system derived from the 25 percent state match, USDA Rural Development funding, and the EPA Infrastructure grants that flow through the CIP traditional funding route in the typical amount of approximately \$70 million per year. 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 Clean Water Act. The funding was awarded to communities based on each program's evaluation criteria. She delineated that a committee conducted a review that was comprised of Ms. Bohan as a representative of VSW and a representative from all the participating federal funding programs. Once the funding was allocated, either VSW or the Alaska Native Tribal Health Consortium (ANTHC) provided administrative support to the communities. She added that most villages were eligible for both CIP and SDS funding.

[9:30:53 AM](#)

Co-Chair Bishop inquired whether the Denali Commission contributed funding to VSW. Ms. Bohan answered in the affirmative and reported that the funding was allocated through the SDS process.

[9:31:25 AM](#)

Senator von Imhof noted the governor spoke of the importance of public and private partnerships in which she agreed with. She asked if Ms. Bohan was familiar with the Leona Hemsley Foundation Grants and if VSW was working with them. Ms. Bohan replied that the foundation reached out to VSW and VSW had them contact ANTHC who placed them with the Norton Sound Health Corporation. She added that VSW was also working with the foundation. Senator von Imhof

emphasized that she wanted VSW to take full advantage of the opportunity. She relayed that the foundation had extensive knowledge on the issue.

9:33:15 AM

Senator Wielechowski agreed with attempting to find the most efficient approach. He asked if federal American Rescue Plan Act (ARPA) funds were available for wastewater. Ms. Bohan replied that there were some ARPA funds that contributed to sanitation improvements through the IHS. Senator Wielechowski wondered if all the ARPA funds had been expended for wastewater projects. Ms. Bohan answered in the affirmative.

9:34:16 AM

Senator Hoffman asked Ms. Bohan if she knew where Togiak was located. Ms. Bohan responded in the affirmative. Senator Hoffman shared that when Togiak attempted to improve its water and sewer systems it was turned down for a micro-loan through VSW. The community asked for help through ANTHC and completed the system. He believed that the project would have been completed sooner if VSW had assisted. He asked how many other communities had been hindered by VSW by not assisting villages that had shown their own initiative to address its water and sanitation needs. He asserted that some rural communities preferred if VSW "stayed out of their business" and feel they would be better served. He shared that the Commissioner [Jason Brune, Commissioner, DEC], agreed with the assessment. He believed that the situation was "unnerving" and expressed disappointment. He wondered if Ms. Bohan had a comment and how VSW could do better in the future. Ms. Bohan voiced that she was familiar with the situation in Togiak. She stated that VSW only recently established the micro-loan opportunity where they offered VSW eligible communities the ability to apply for a heavily subsidized loan through the state revolving loan fund. She explained that because it was a loan program the community had to demonstrate its capacity to carry the loan. The VSW program worked with the EPA to develop the eligibility criteria. Togiak and ANTHC made the decision to move forward with the project counting on the community's ability to access the loan funds. The partnering agency to VSW, the Rural Utility Business Advisor (RUBA), Department of Commerce, Community and Economic Development (DCCED) had been working with Togiak

to help them improve their score to qualify for the loan, however they were unable to accomplish qualification in a timeframe to work with the project. She indicated that VSW had made exceptions for Togiak by keeping the application open and coordinating with RUBA. She furthered that VSW offered Togiak a traditional revolving fund loan, which could help them move forward while pursuing the micro-fund loan.

[9:41:37 AM](#)

Senator Hoffman voiced that Western Alaska had the highest level of unemployment and the lowest income in the state. He wondered whether VSW had tried to identify all the programs Togiak might qualify for. He spoke to the high cost of living in the area. He believed that when a community showed initiative the state should jump at the opportunity to help. He asked how many times VSW travelled to Togiak to help them identify a loan or funding source. He wondered what the VSW mission was and how the mission failed the people of Togiak.

[9:44:25 AM](#)

Ms. Bohan agreed that VSW's mission was to try to identify all the opportunities to fund sanitation improvements. She commented that VSW did not accomplish the mission on its own and looked to its many partners, and in the case of Togiak, ANTCH led the effort of funding coordination. She restated that VSW requested that RUBA assist in the Togiak effort since it was RUBA's specialty. She stated that VSW would continue to assist Togiak but acknowledged that there were not many funding opportunities. Senator Hoffman restated his question regarding the number of times VSW travelled to Togiak to assist the community. He believed that VSW should reevaluate its mission and empathize with the rural residents of Alaska and assist communities that show its own initiative. He contended that VSW hindered communities that wanted to better themselves.

[9:47:52 AM](#)

AT EASE

[9:49:05 AM](#)

RECONVENED

Co-Chair Bishop HANDED the GAVEL to Co-Chair Stedman.

9:49:11 AM

Co-Chair Stedman stated that the Economic Outlook presentation would be rescheduled.

9:49:54 AM

Senator Olson thanked VSW for its assistance in Golovin. He spoke about troubles with the Best Practices score and viewed it as a hinderance to eligibility. He had heard from villages that believed that they could never be served because ineligibility prevented them from developing a sustainability plan. He planned to propose eliminating the best practices score. He was aware of federal issues that would arise and wondered what the best way was to get rid of the Best Practices score, which he felt hindered progress in communities in need of a sustainable plan. He asked how the best practices score could be circumvented for communities that lacked the capacity for a sustainability plan. He asked if the division favored eliminating the scoring system.

RANDY BATES, DIRECTOR, DIVISION OF WATER, responded that there were slides prepared to address the issue of the Best Practice scores. He spoke to DEC's mission to assist communities with sanitation infrastructure and was "excited" to help. He underlined the challenges and acknowledged there was room for improvement. He related that VSW worked with all its partners to help achieve capacity, which was a federal requirement under the Safe Drinking Water Act. He was open to the conversation regarding eliminating the best practices score but did not think it would alleviate the capacity issue and that it would not go away.

9:54:39 AM

Senator Olson thought that water and sewer was important to all communities in Alaska. He stressed that COVID had exacerbated the issue of access to clean water and sewer in rural Alaska.

Co-Chair Bishop commented on best practices. He voiced that best practices was a required piece of accepting federal money. He asked whether the best practices list would look different with full General Fund (GF) funding.

Mr. Bates answered in the affirmative. He indicated that best practices were utilized to prioritize projects that were ready for funding. He elaborated that all the state's needs will be funded by the federal infrastructure legislation and therefore, even though the best practices score would remain relevant, it would not act as a "gatekeeper" and all of rural Alaska's sanitation needs will be met. Co-Chair Bishop asked whether all the needs will be met between the state's share and the tribal share of the federal funding. Mr. Bates replied in the affirmative.

[9:58:28 AM](#)

Mr. Bates said that DEC's hope was to position the state to take the fullest advantage of the infrastructure money that was forthcoming.

Senator Hoffman reiterated that there were systemic problems in DEC that needed to be addressed. He argued that every year that a project was delayed had real effects for communities. He felt that the funding was an opportunity to get things done for rural Alaska. He feared that DEC's bureaucracy would keep rural communities from receiving the federal funding in a meaningful timeframe. He suggested that ANTHC should take charge of VSW projects since they were in the field and getting projects accomplished.

[10:00:49 AM](#)

Ms. Bohan pointed to slide 7, "Village Safe Water: Funding History." She drew attention to FY 2022 and the small red line depicting the Denali Commission funding and the large navy area on the bar that portrayed the \$39.3 million in COVID related funding through the IHS. She expounded that the IHS and ANTHC used a portion of the funding to develop an in depth planning analysis for providing the unserved communities' water and sanitation services. The organizations would define solutions to provide pipe service or other methods with currently available money outside of the federal legislation.

Ms. Bohan addressed slide 8, "Village Safe Water: Funding History." She highlighted that the slide depicted the funding for FY 2023. She noted that Village Safe Water was not directly anticipating an increase in its federal

funding, however the IHS received a substantial increase in FY 23 of over 3 times its normal level.

Co-Chair Bishop inquired whether the funding flowed through VSW. Ms. Bohan responded in the negative and expounded that when VSW provided lead project support the money would flow through Village Safe Water on the community's behalf.

[10:03:35 AM](#)

Senator Olson deemed that 2015 funding was a turning point in funding relief and eligibility based on best practices. He asked for more historic data. Ms. Bohan would provide the information.

[10:04:19 AM](#)

Ms. Bohan discussed slide 9, "Village Safe Water: FY2022 by the Numbers":

- Planning Projects
 - \$1.9 million funding made available
 - 19 studies for 19 communities
 - Project range: \$75,000 - \$180,000
- Construction Projects
 - \$69.7 million funding made available
 - 9 ongoing construction projects and 10 new construction projects
 - Project range: \$80,000 - \$21.1 million
- IHS and EPA Tribal Construction Projects
 - \$55.2 million funding made available including \$1.3M from Denali Commission
 - 17 construction projects
 - Project range: \$563,000 - \$8.8 million

[10:06:51 AM](#)

Ms. Bohan pointed to slide 10, "Village Safe Water: Funding Eligibility":

- Communities are eligible for one VSW funded planning project at a time
- An approved planning document and a demonstration of a minimum level of capacity is required for design and construction funding

- Ensure the community has the technical, financial, and managerial capacity to operate and maintain the facility in the long term
- Requirement of all new public water systems per the Safe Drinking Water Act
- First time piped service projects also require an approved Sustainability Plan

[10:07:51 AM](#)

Co-Chair Bishop had a query regarding the third bullet point. He shared that a rural community in his district received a washateria larger than the one requested. He wondered if VSW listened to the community's feedback and local knowledge. Ms. Bohan answered that the engineers at VSW and ANTHC coordinated with the community. In addition, the review committee she had mentioned earlier and DEC's drinking water, wastewater, and solid waste programs all had to review and approve the planning documents at the conceptual stage. She furthered that VSW garnered feedback from the community's regional health corporations. Co-Chair Bishop emphasized that VSW should rely on the local sanitation operators.

[10:09:56 AM](#)

Ms. Bohan addressed slide 11, "Village Safe Water: Funding Eligibility":

Operations and Maintenance Best Practices capacity assessment tool developed in conjunction with ANTHC and RUBA

Communities are scored twice per year based on information provided to DEC and RUBA

Ms. Bohan commented that VSW developed the capacity assessment in 2015 and vetted it with its regional partners and ANTHC. She stressed that the current capacity assessment was a change from the prior best practices process to one universal assessment. In addition, VSW performed the capacity assessment prior to granting funding versus after funding was granted as in the previous process, when the community had to prove its capacity level. The former method often used up to 3 years of a 5

year funding cycle just to determine capacity, resulting in a shortened project life as well as threatening the project's federal funding, which could be reassigned to another project. She furthered that the score taken in the spring was used for determining eligibility the following fall.

Co-Chair Bishop asked for an explanation of RUBA. Ms. Bohan reiterated that it stood for Rural Utility Business Advisor.

[10:13:27 AM](#)

Senator von Imhof referenced demonstrating capacity. She asked if demonstrating capacity involved training individuals on maintaining the systems from the inception of the project. She inquired whether it was challenging to find enough people willing to maintain and operate the communities' systems. Ms. Bohan responded that she would answer the question in more depth later in the presentation. She elucidated that it was a frequent issue. Federal and state regulations required a community to employ a certified operator, which offered challenges. She commented that VSW wanted to provide long-term sustainable solutions and it was an issue.

[10:16:02 AM](#)

Senator Hoffman was pleased that VSW was looking for long-term sustainable solutions. He cited slide 11 and was concerned with the second bullet point regarding twice per year scoring. He relayed that some communities did not have the staff to provide the information. He reiterated his question regarding how often VSW visited rural communities and acted as "boots on the ground." He worried that otherwise, VSW conclusions could be flawed. Ms. Bohan replied that the department continued to make traveling a priority in order to meet the needs of the communities it served. She elaborated that VSW funded in conjunction with regional health corporations, a remote maintenance worker program located in hub communities as well as utilizing DEC employees based in Anchorage to provide the same service. Each of the 10 to 15 workers were assigned 10 communities to provide technical assistance and training and collectively made over 200 visits in a year. She furthered that RUBA was developed to provide the same service except for financial and managerial utility capacity. The remote

staff worked on behalf of VSW. In addition, VSW had engineering staff that visited about one-third of the communities.

[10:21:25 AM](#)

Senator Hoffman cited that he represented the largest hub representing 56 villages over a huge area. He wondered how VSW distributed the funding between unserved and underserved communities. Ms. Bohan answered that there was not a distinction between unserved and underserved in the funding. The analysis currently underway would inform VSW's funding decisions regarding unserved communities and once the planning documents were completed, they would be the highest priority VSW projects. She added that unserved communities received the highest score in the health categories which weighted those projects as the highest priority. Senator Hoffman asked what the purpose of scoring communities was twice each year.

[10:24:15 AM](#)

Ms. Bohan replied that there were two purposes. She conveyed that there was a high turnover in operators and in key community positions so the twice a year communication helped VSW maintain awareness of the level of technical assistance needed and to ensure that the community leaders were focusing on the funding process. The fall score was for informational purposes only.

[10:25:14 AM](#)

Co-Chair Bishop requested a follow-up presentation in the spring. He wanted the presentation to include how many DEC staff were examining the Infrastructure Investment and Jobs Act (IIJA) funding so that every possible dollar of funding would be attained.

[10:27:08 AM](#)

Ms. Bohan referred to a handout titled "Best Practices" (copy on file) that included the scoring criteria and noted that the following slide summarized the criteria. She pointed to slide 12, "Village Safe Water: Funding Eligibility":

- Technical
 - Operator Certification
 - Preventative Maintenance Plan
 - Compliance

- Managerial
 - Utility Management Training
 - Meetings of the Governing Body
- Financial
 - Budget
 - Revenue
 - Worker's Compensation Insurance
 - Payroll Liability Compliance

Ms. Bohan communicated that the foundation of best practices was housed in the Clean Water Act. Via federal regulation, the state was obligated to all public water systems serving over 25 people in the state. She furthered that before the system was approved, the community had to demonstrate technical and managerial capacity. She maintained that all of the state's systems were subject to the evaluation. She informed the committee that RUBA offered online managerial utility training and did compensate for any training travel costs.

Co-Chair Bishop remarked that the operator and preventive maintenance criteria should be weighted very high as an indicator of long-term maintenance ability.

[10:31:18 AM](#)

Senator Wilson referenced the comments that through IIJA all communities would be served. He asked if the criteria and scoring would still be necessary or would become obsolete. Ms. Bohan clarified that that funding was appropriated to the IHS and correlated to all the projects in its SDS data base. She added that Alaska's portion of the funding was \$2.1 billion and IHS was still determining how the funding would be ultimately allocated. She reiterated that VSW funding would not markedly increase under IIJA and would be a much smaller portion of the total project funding however, VSW would still utilize a scoring system for its portion of the funding.

[10:33:48 AM](#)

Co-Chair Bishop clarified that the allocation of IIJA funding happened but was not yet appropriated.

[10:34:07 AM](#)

Senator Olson pointed to the technical aspect of eligibility and wondered what happened when the expertise was lacking. Ms. Bohan responded that she managed the operator certification program and there were a number of initiatives to help operators achieve certification that included outreach and increased training opportunities. She related that VSW was unable to send operators to communities lacking staff. The remote operators provided support to existing operators. She noted the challenges to maintaining certified operators. Senator Olson inquired what the timeframe was for communities that were not eligible to become qualified. She indicated that unserved communities currently had time to work on eligibility while the planning document was in the process of being developed. Senator Olson voiced that from the perspective of some rural communities, VSW was not supporting the process of capacity.

[10:38:49 AM](#)

Senator Olson asked Mr. Bates whether he viewed the progress in VSW from an optimistic or pessimistic point of view. Mr. Bates responded that he was "absolutely optimistic." He recognized that there were challenges at VSW and with the scoring system but pointed out there were also challenges in the communities that need to be overcome. He characterized the forthcoming funding as a "transcendent opportunity." He emphasized that VSW heavily relied on its partners ANTHC and RUBA. He elucidated that VSW's role was in the technical score and ANTHC and RUBA were involved in the financial scoring. The timeframe for eligibility never ended and all involved wanted communities to build the capacity. The capacity ensured that not only could a community obtain rural sanitation but maintain it in the long-term. He acknowledged that there was room for improvement.

[10:42:33 AM](#)

Senator Wilson asked if the funding would cover new infrastructure and homes that could accommodate new water and sanitation systems.

Ms. Bohan, believed that the intention for the IHS funding was to provide service to every home except for difficult outliers. She furthered that housing funding was available but not through sanitation funding.

Senator von Imhof wanted to see a presentation that contained the history of what was accomplished, what worked and did not work well, the questions asked of the communities, and details regarding future projects. She felt that the presentation lacked useful information.

[10:46:14 AM](#)

Co-Chair Bishop emphasized that there was a huge amount of federal money from different programs forthcoming and it would take a tremendous effort to utilize all of it effectively.

Senator Hoffman remarked that a large component of the housing issue was working with the housing authorities. He wondered whether there were conversations between VSW and the housing authorities to ensure that the new homes would have the infrastructure to support the proposed systems to avoid retrofitting. Ms. Bohan responded that the conversation between VSW, ANTHC, and the housing authorities was not always successful, and houses were often built without coordination. She acknowledged that the discussions would be more important with the accelerated funding. She offered that regulations prohibited providing service to homes not yet built, which presented a timing mismatch, but VSW was striving to synchronize the projects.

[10:49:19 AM](#)

Senator Wilson wondered how many communities would be served via the forthcoming appropriations each year.

Co-Chair Bishop interjected that the information would be provided in a future presentation.

[10:50:01 AM](#)

Senator Olson commented on the water issues in Unalakleet. He asked for an update. Ms. Bohan replied that VSW was drilling test wells and the design was completed for a new water source, construction would begin in the current year

and replacement of the distribution system would happen over the next several years.

10:51:30 AM

Co-Chair Bishop discussed the afternoon's meeting.

#

ADJOURNMENT

10:51:45 AM

The meeting was adjourned at 10:51 a.m.