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Sec. 46.03.030. Grants for water supply, sewerage and solid waste facilities. (a) Repealed by § 19 ch 220 SLA 1976.

(b) The department may grant to a municipality, as funds are available, up to 50 percent of eligible costs not financed by the federal government, for public water supply, treatment and distribution systems and public sewage collection, treatment and discharge facilities for which construction has not commenced on or before June 21, 1976. The eligible cost of a project or portions of a project will be as determined by the federal agency granting the most monetary assistance. On projects or portions of projects, for which federal participation is not available, eligible costs will be determined by the department in accordance with (d) of this section. Projects shall be constructed in accordance with plans and specifications approved by the department.

(c) There is a water supply, sewerage and solid waste facilities fund created in the department to carry out the purposes of this section.

(d) The department shall, by regulation, identify those costs which are eligible costs for the purposes of this section. Eligible costs include the costs established in a construction contract which are necessary for construction of a project, but do not include the cost of interest and financing and right-of-way acquisition, or costs related to operation, maintenance, repair or replacement of a project.

(e) The department may grant to a municipality not more than 50 percent of the eligible costs, including costs of obtaining federal waivers from the requirement for secondary treatment plants, which are not paid for by the federal government for solid waste processing or disposal facilities constructed after July 1, 1980. However, the department may grant a municipality up to 60 percent of the eligible costs not paid for by the federal government for a solid waste processing or disposal facility constructed after July 1, 1980, if the facility is used for resource recovery. The eligible costs of a solid waste processing or disposal facility are determined by the federal agency granting the most monetary assistance for construction of the facility. For a solid waste processing or disposal facility for which federal money is not available, the department shall determine the eligible costs in accordance with (d) of this section. A municipality shall construct solid waste processing or disposal facilities financed by grants under this section according to plans and specifications approved by the department. (§ 3 ch 120 SLA 1971; am §§ 2, 19 ch 220 SLA 1976; am §§ 30, 31 ch 168 SLA 1978; am §§ 1-4 ch 163 SLA 1980)

Effect of amendments. — The 1978 amendment added "in accordance with (d) of this section" to the end of the third sentence of subsection (b) and added subsection (d).

The 1980 amendment deleted "the lesser of preceding "50 percent of" and "the" preceding "eligible costs", and substituted

"costs" for "cost or 50 percent of the eligible cost," near the beginning of subsection (b), substituted a comma for "and" following "water supply," and "and solid waste facilities" for "systems" in subsection (c), rewrote subsection (d), and added subsection (e).

Trade and Commerce
Title 45

STATE OF ALASKA

JAY S. HARMON, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

465-2600

POUCH D - JUNEAU 99811

April 15, 1981

The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-chairmen
Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Handwritten: ART 10
3/27/81
SFP - Dankworth

Dear Senators Bennett and Dankworth:

The Department of Environmental Conservation has just received an opinion from the office of the Attorney General which limits our ability to respond to the needs of Alaskan municipalities. This opinion has determined the costs of water delivery and sewage collection vehicles to be ineligible for state grant aid. The opinion is based on two points:

1. The state constitution limits bond funding to capital construction and trucks do not meet the durability requirement for a capital improvement.
2. AS 46.03.900(19) does not specifically include vehicles in the definition of a sewerage system and AS 46.03.030 refers to the fact that only construction costs are grant eligible.

The department has made many grants to municipal governments for water delivery and sewage collection vehicles over the past five years. An obvious need exists for these vehicles when a conventional piped water and waste system is not the cost effective alternative. The department would like to retain the flexibility to provide these sanitation benefits.

Therefore, the department recommends that the Senate Finance Committee consider an amendment to SB 252, which will establish the grant eligibility of water delivery and sewage collection vehicles. The following amendment is suggested for addition following the word "facilities" in line 15 of the bill:

"and vehicles and equipment necessary for the operation of those systems or facilities, for which systems and facilities"...

The first full sentence beginning in line 24 is recommended for amendment as follows:

"Projects shall be completed [constructed] in accordance with plans and specifications approved by the department."

The Honorable Don Bennett
The Honorable M. E. Dankworth

-2-

April 15, 1981

The following amendment is suggested to AS 46.03.030(d):

"The department shall by regulation, identify costs which are eligible costs for the purposes of this section. Eligible costs include the costs [established in a construction contract] which are necessary for the completion [construction] of a project, but do not include the cost of interest and financing and right-of-way acquisitions, or costs of [related to] operation, maintenance, repair or replacement of a project."

It is the opinion of the office of the Attorney General that the suggested amendment will authorize the department to award grants for the purchase of water delivery and sewage collection vehicles from funds appropriated by the Legislature. We have asked the Attorney General to advise whether this statutory change would alter the constitutional limitation prohibiting the use of bond funds for grants on vehicles.

The department apologizes for the short notice on this suggested amendment to SB 252. We strongly recommend your consideration of our request.

Sincerely,

Ernst W. Mueller
Ernst W. Mueller
Commissioner

cc: Senator Jalmar Kerttula
Senator Tim Kelly
Senator Bill Ray
Representative Jim Duncan
Representative Sam Cotten

GOVERNOR'S ACTION

Aid to Sen. Ziegler
(legislative employees)

SENATE RESOLUTION NO. 30, (see pages 999;1011). Read by the Governor on June 14 - Senate Resolve No. 8, 1982 (recognizing McKie Campbell, Bobby Carroll, Glenn Svendsen and Russ Josephson for their efforts in coming to the aid of Senator Robert H. Ziegler, Sr.).

Aid to Sen. Ziegler
(Juneau Fire Dept.)

SENATE RESOLUTION NO. 31, (see pages 999;1011). Read by the Governor on June 14 - Senate Resolve No. 9, 1982 (recognizing members of the Juneau Fire Department for their quick and efficient response to a crisis in the Alaska Senate).

BILLS VETOED BY THE GOVERNOR

Water, Sewer & Solid Waste Facilities

HOUSE CS FOR CS FOR SENATE BILL NO. 252 (FIN)(AM. HOUSE), (see pages 793;824;834;891;957;979). Vetoed by the Governor on June 16. The following message accompanied the bill:

Under the authority of art. II, sec. 15, of the Alaska Constitution, I have vetoed House Committee Substitute for Committee Substitute for Senate Bill 252 (Fin) am H, relating to grants for water supply, sewerage and solid waste facilities; and providing for an effective date. While I support the basic thrust of this bill - increasing the state's grant proportion of water, sewer and solid waste facilities - there are several provisions which are objectionable.

The bill would allow replacement of obsolete facilities to be grant eligible. In the past, the Department of Environmental Conservation has funded only new construction, expansion, and modification of facilities. Replacement of obsolete facilities should be funded by revenues accumulated from user charges. In this way, communities and users are encouraged to provide adequate operation and maintenance or they will foot the bill for costs to replace projects which have become "obsoletes" through neglect.

The bill would also apparently allow funding of water delivery and honey bucket collection vehicles. The Attorney General has ruled that these vehicles cannot be eligible for funding through general obligation bond financing, as the Constitution restricts general obligation bonds to capital projects. General fund moneys could be used for vehicles; however, the principle source of funds for water and sewer projects has been general obligation bonds.

Finally, the bill would mandate that the Department of Environmental Conservation provide grants to communities with village safe water projects to assist in operation and maintenance of those projects. Presently, the authority to provide those grants is contained in the Village Safe Water Act and is discretionary. If the department determines that a community must have a state grant for the project to survive, and if the operation is sufficiently cost-efficient and funds are available, the department can fund grants to these villages. The proposed revisions would mandate these grants regardless of the community's ability to pay, the operating history of the project, or how well it is run. To the extent possible, these projects should pay their own way without relying on the State to subsidize them. *

A veto of this bill would have little affect over the next year. No funds were appropriated by the legislature to implement the provisions of the bill; in fact, the Department of Environmental Conservation does not have sufficient funds to amend grants under the existing formula to the extent it has grant applications. There is also no funding available for operation and maintenance grants to communities with village safe water facilities.

I am requesting the Commissioner of Environmental Conservation to work on draft legislation addressing these issues for me to consider for submittal to the next legislature.

filed 8/82 ls

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SB 252

Mtg. 5/11/82

HCRRA

O'Connell
Cloakem
Byzoma

~~Att~~ Kelton

- 70% - 75% - Senate Deleted Fiscal Note -
no way to fund bill -
- Will have to fund fewer even if we fund
at 50% level - 20 mill req. just to
hold even.
- FY82 - funded 30 mill worth of projects -
backlog of unfunded projects @ 20 mill.
- Gov proposed 30 mill in Bond proposition.
- Comm wants to make 30% grants to stretch
the funds further.

Cloakem - 030 (b) difference - House limits partial
to lesser 75 elig costs not financed on
87.5% - Senate doesn't list 2 and
never will occur -

Kelton
Cloakem - Net effect is the same.

1st year run out of \$ - either prioritize projects or

Lockmi - Effect absent the \$ is to increase % but spread
\$ will go to fewer projects.

Sec 2 - "Absolute" clause - Re AD. opinions @ the
request of the AMT.

- Effect of amendment -

Lockmi - Unworkable - less trouble w/ House version.

- Move to amend SB252 by replacing CS for WB304
(Hess) with

intent re fiscal note - nothing in cap budget -
\$20 mill to complete project

OC - Should fund w/ fiscal note of \$20 mill.

Vote All in favor - 4 - Anderson Absent -

Clay - Move the bill & attach \$20 mill
fiscal note.

CSSB Fiscal note is zero, analysis follows:
252
(FIN)

This fiscal note reflects a zero impact because the two engineers described in the previous fiscal note are provided for in HB 840.

Also, there is no increase in the grants and claims line item because the Governor's FY 83 capital budget already has \$25,000,000 included for this program. This legislation increases the percentage a municipality may receive from the state not the total amount of capital funds needed to operate the program.

IV. DATE 3-3-82 PREPARED BY Senator Frank R. Ferguson
AGENCY Legislature
PHONE 465-4923

CSSB Senate HESS committee
893 SB 893 - Section 4
(HESS) General Obligation Bonds for School district Construction

COMPARISON BETWEEN CS for SB 893 (HESS) and SB 893

School District	SENATE HESS PRIORITY	Thousands of Dollars	
		HESS CS SB 893	SB 893
(1) Ada School District	33	10,488.00	8,785.
(2) Alasha Gateway School District			9,000.
(3) Aleutian Chain School District	12,13,14	9,476.00	7,500.
(4) Annette Island School District			320.
(5) Barling Straits School District	4,5,6,7,11,27,9	11,485.00	10,500.
(6) Copper River School District			3,000.
(7) Craig City School District			3,500.
(8) Delta/Grady School District	30,31,34	2,600.00	3,920.
(9) Dillingham City School District			5,120.
(10) Hyakburg City School District			323.
(11) Iditarod Area School District	29	2,500.00	8,500.
(12) City and Borough of Juneau School District			8,000.
(13) King Cove City School District			9,750.
(14) Ketchikan Gateway Borough School District			10,000.
(15) Klaskanin City School District			340.
(16) Kodiak Island Borough School District			3,830.
(17) Kuspa School District			9,000.
(18) Lake and Peninsula School District	21.	2,055.00	4,193.
(19) Lower Kuskowim School District	20,37	11,737.00	3,680.

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FOR SB 252

A M E N D M E N T

TO: CSSB 252(Fin)

By Sackett

Page 1, line 25 - page 2, line 4:

Delete all material and insert the following:

* Sec. 2. AS 46.03.030(d) is amended to read:

(d) The department shall, by regulation, identify those costs which are eligible costs for the purposes of this section. Eligible costs include the costs [ESTABLISHED IN A CONSTRUCTION CONTRACT] which are necessary for construction of a project including the costs of replacing obsolete facilities, but do not include the cost of interest and financing and right-of-way acquisition, or costs related to operation, maintenance, and normal repairs. Eligible costs include the costs of the initial purchase of water delivery and honey bucket collection vehicles if the vehicles are determined by the department to be cost effective compared with conventional water supply and sewage collection systems. Eligible costs also include the cost of facilities for the maintenance and storage of those vehicles [REPAIR OR REPLACEMENT OF A PROJECT].

Page 2, following line 22 insert the following:

* Sec. 4. AS 46.03.900(19) is amended to read:

(19) "sewer system" or "sewerage system" means pipelines or conduits, pumping stations, and force mains, and all other appurtenant constructions, devices, and appliances used for conducting sewage,

industrial waste, or other wastes to a point of ultimate disposal and includes the original purchase of water delivery and honey bucket collection vehicles if the vehicles are determined by the department to be cost effective compared with conventional water supply and sewage collection systems and facilities for the maintenance and storage of those vehicles;

Page 2, line 23:

Change "Sec. 4" to "Ser. 5"

POSITION PAPER ON SENATE BILL 252

by
ERNST W. MUELLER, COMMISSIONER
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
Before the
HOUSE C&RA COMMITTEE
May 5, 1982

Senate Bill 252 amends existing statute AS 46.03.030. This statute authorizes the Department of Environmental Conservation to award grants up to 50 percent of the eligible costs for water, sewerage, and solid waste facilities. The primary purpose of the amendment is to increase the State's grant percentage to 70 percent. The Bill also provides for an effective date.

The Department supports this legislation for several reasons:

- 1) Small municipalities are often unable to raise the 50 percent local match required under the existing statute. The proposed amendment will allow many of these municipalities to improve their basic sanitation services.
- 2) Federal matching grants have been drastically reduced. It is expected that no EPA construction grant funds for FY-82 will be appropriated. Adoption of SB 252 with the accompanying fiscal note will help offset the impact of decreased federal revenues.
- 3) Alaska's residents will receive a nontaxable financial benefit. An increase in State funds will reduce LID and property assessments, thereby providing a financial benefit. Since there is no direct monetary return to the taxpayer, there can be no increase in their federal income tax.

The Department also supports the amendment suggested in Commissioner Ernst Mueller's April 15, 1981, letter to Senators Bennett and Dankworth. This amendment would enable the Department to continue the practice of awarding grants for water delivery and sewerage collection vehicles when this is a cost effective alternative. An opinion by the Office of the Attorney General now prevents us from awarding these grants.

Adoption of SB 252 will result in construction of projects that would not have been built under the 50 percent State grant program. As a practical matter, however, there is no means by which we can detail exact projects of their cost. We estimate the combined affect of decreased federal funds and passage of SB 252 would result in an increased funding demand of approximately \$20.0 million per year. The present grant demand averages over \$24 million per year. Therefore, the total demand for municipal grants for water, sewerage, and solid waste projects is expected to exceed \$44.0 million for FY-83 with the adoption of SB 252.

However, the grant program has been without funding since early January, and we presently have over \$19.0 million in grant applications which we are unable to fund. A bond proposition for \$30.0 million is proposed for the 1982 general election. It is apparent we will be able to fully obligate this \$30.0 million as soon as it is available at the present level of funding. To fully fund this program at the 70 percent level for FY-83 and FY-84, as well as finance the existing project backlog, would require \$100.0 to \$110.0 million. Passage of SB 252 without the funding for 70 percent grants will necessitate the award of grants at levels corresponding to available funding resources.

Additionally, a small increase to our staff will be required to handle this expanded program. We project the need for two additional engineers and their support costs. The details of this request are contained in the attached fiscal note.

Thank you for the opportunity to comment. I would be pleased to answer any questions you may have.

Attachment

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 252
 Title an Act relating to grants for water supply, sewerage, and solid waste facilities
 Requested by Kerttula and Kelly Date March 9, 1981

and providing for an effective date.

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation
 Program Category Affected NRMEC
 BRU, Program, or Subprogram(s) Affected Division of Facility Construction & Operation
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

Assumes an annual increase of 8% for operating budget items and 12% for capital budget item.

	FY 80	FY 81	FY 82	FY 83*	FY 84*	FY 85*
100 PERSONAL SERVICES				89.0	96.1	103.8
200 TRAVEL				17.0	18.4	19.9
300 CONTRACTUAL				8.0	8.6	9.3
400 COMMODITIES				0.5	0.5	0.6
500 EQUIPMENT				2.5	--	--
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.				20,000.0	22,400.0	25,088.0
TOTAL				20,117.0	22,523.6	25,221.6

FUNDING (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83*	FY 84*	FY 85*
GENERAL FUND				20,117.0	22,523.6	25,221.6
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 80	FY 81	FY 82	FY 83*	FY 84*	FY 85*
FULL TIME				2.0	2.0	2.0
PART TIME						
TEMPORARY						

*Grants, claims item represents the funding increase needed as a result of SB 252 and decreased federal revenues -- not total program needs.

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Positions requested include Environmental Engineers III & II to process the increased number of grant awards. It may also be necessary to increase our level of effort on some projects, since smaller communities will now be applying for grants. Many of these communities do not have the expertise to administer engineering and construction contracts and will rely on the Department for assistance. There also may be a decrease in the level of effort now devoted to EPA projects. If this occurs, it will not be necessary to fill both positions.

The \$20.0 million estimate for construction funding in FY 83 will need to be an appropriation if funds are to be available for this season's construction. For subsequent years, program funding could be provided through bond authorizations, appropriations, or a combination of the two sources.

IV. DATE May 3, 1982 PREPARED BY Keith Kelton
 AGENCY Alaska Department of Environmental Conservation
 PHONE 465-2610
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
FACILITY CONSTRUCTION AND OPERATION DIVISION
STATUS REPORT
OF
MUNICIPAL GRANTS PROGRAM

April 1982

MUNICIPAL GRANTS

The municipal Grants Program is authorized by AS 46.03.030. This program provides grants up to 50 percent of the nonfederally financed costs for water, sewerage, and solid waste improvements. These grants may be used to pay for engineering, construction, legal, administrative and equipment costs. Grants are available only to incorporated municipalities. The State does not provide any operation and maintenance support beyond technical assistance.

Project scope, scheduling, and funding are left to local determination. The Department does not attempt to second-guess the validity or local priority of requested grants. The Department is concerned with approval of construction plans and specifications, contract documents for engineering design and for construction. Progress payments and interim construction inspections are made during the course of the project. Grantees' final project costs are audited by the Department. The emphasis of the program is to minimize grant requirements with the grantees responsible for the majority of project administration.

Funding for this program has been provided by general obligation bonds approved by the voters. Bonds totaling \$112.5 million have been authorized in 1970, 72, 76, 78, and 80. Grants are awarded on a first-come, first-serve basis, subject to the availability of funds. No priority system is presently utilized in awarding these grants.

The program has currently obligated all but approximately \$1.0 million of the bonds approved by the voters. This \$1.0 million is being held in reserve to fund grant increases due to change orders for existing projects under construction. We are in receipt of approved grant applications totaling nearly \$18.7 million, which we are unable to fund at this time. The projects will be funded in the order that applications were approved, subject to the availability of funds. A list of these projects is attached.

The Governor's capital budget request obtains \$10.0 million in general funds that will be available this summer, subject to approval by the Legislature. An additional \$40.0 million is proposed for voter approval in this fall's general election. As can be noted, general fund approval of \$10.0 million by the Legislature will result in over \$8.0 million of projects that cannot be constructed this summer. Delaying these projects by a year will result in approximately a 15 percent increase due to inflation.

It is our estimate that to fully meet the needs of grantees for the 1982 construction season, \$25.0 million will be required and should be available no later than June 1. The balance of program funding requirements could then be met by voter approval of bonds in the 1982 general election. It is estimated that an additional \$50.0 million will need to be approved for FY-83 & 84 if the grants program is to fully respond to the public's demand for sanitation improvements.

If funding is unavailable at the estimated levels of need, we propose to develop a priority system considering public health, benefiting population, and level of existing services. If this occurs, all grantees will be asked to submit their project applications by a specified date for the full calendar year. The projects would then be ranked in accordance with the priority system.

PENDING GRANTS

<u>Project</u>	<u>Date Received</u>	<u>Grant Amount</u>	<u>Date Funded</u>
Anchorage - SD 81-1 Fire Hydrants	12-16-81	\$ 425,520	
W81-13 Dowling Rd Water	12-16-81	100,950	
S81-20 Brown's LID	12-16-81	103,000	
S81-21 AERO LID 112	12-16-81	272,550	
S81-22 Stella LID 112	12-16-81	107,850	
Kotzebue - Water Transmission	12-21-81	232,380	
Water System Exp.	12-21-81	248,320	
Sewer System Exp.	12-21-81	1,153,800	
Ketchikan - Karlanna/Hawkins S/D	12-24-81	90,800	
Anchorage - S81-26 Abbot Loop Manor LID 132	12-31-81	292,650	
S81-18 Original LID 117	12-31-81	45,050	
Ketchikan - Penstock Ktn Lakes	1-11-81	19,320	
Seward - Terminal Water & Sewer SW82-1	1-22-82	1,562,657	
Anchorage - W82-3 Univ. Drive 16" Water	1-26-82	50,950	
W82-4 Ship Avenue Water	1-26-82	20,900	
S82-1 Shackleton LID Sewer	1-26-82	70,500	
S82-2 Alpine Village LID Sewer	1-26-82	238,200	
S82-3 Zodiac LID Sewer	1-26-82	60,250	
S82-4 Fire Lk Int. Phase III	1-26-82	120,694	
W82-2 Northern Lights Water	1-26-82	103,100	
Houston - Sanitary Landfill	2-11-82	30,000	
Anchorage - W82-6 Ship Creek Water Plant Exp.	2-19-82	4,580,850	
W82-5 Ingra St 16" Water 11th-15th	2-19-82	109,619	
Skagway - Solid Waste	2-21-82	211,610	
Water Storage Tank	2-21-82	269,000	
Sitka - Water Storage Tank	2-22-82	1,192,500	
Water Storage Tank	2-22-82	1,186,050	
Valdez - Solid Waste Landfill	2-22-82 (permit)	210,876	
Juneau - Vanderbilt Hill Water	2-23-82	616,431	
- Lemon Road Water	2-23-82	524,173	
Skagway - Water System	2-24-82	628,000	
Juneau - Bayview S/D	2-26-82	684,600	

PENDING GRANTS

Page 2

<u>Project</u>		<u>Date Received</u>	<u>Grant Amount</u>	<u>Date Funded</u>
Valdez	- Pioneer/Chitina Dr W & S	3-09-82	\$ 233,973	
Sitka.	- Car Smasher	3-12-82	11,160	
Sand Point-	Meadows S/D Phase I	3-24-82	1,867,800	
Soldotna	- Kobuk	3-25-82	383,906	
Kake	- Water Dist. Loop	3-30-82	122,305	
Nome	- Increase 82 Water & Sewer	4-01-82	<u>504,236</u>	
			<u>\$18,686,530</u>	

SB 252 TITLE & SPONSOR SUMMARY 14 46 5/05/82 PAGE 1 OF 3
 AMENDED TITLE: CSFB 252(FIN)
 AN ACT RELATING TO GRANTS FOR WATER SUPPLY, SEWERAGE AND
 SOLID WASTE FACILITIES; AND
 PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: KERTTULA. GENERAL DOLLARS \$6 (F. NOTE)
 OTHER DOLLARS 10

CO-SPONSORS: KELLY.
 CURRENT STATUS 5/03/82 IN (H) C&RA REFERRED FINANCE
 SB 252 SENATE ACTION 14 46 5/05/82 PAGE 2 OF 3

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/09/81	01	1076	FIRST READING -- COMMITTEE REPORTS
04/09/81	02	1076	C&RA -- C&RA EXAM'04
04/29/82	03	1077	FIN -- CLOS
04/29/82	04	1077	FISCAL NOTE EQUALS ZERO
04/29/82	05	1077	ANALYSIS SEN SUPPL 438
05/03/82	06	1117	RLS -- OTHER03 TAKEN UP IMMEDIATELY
05/03/82	07	1118	SECOND READING
05/03/82	08	1118	SIN CS ADOPTED BY UNAN CONSENT
05/03/82	09	1118	ADVANCED TO 3RD READING BY UNAN CONSENT
05/03/82	10	1119	THIRD READING
05/03/82	11	1119	PASSED BY DIV 18-00-02
05/03/82	12	1120	EFFECTIVE DATE VOTE SAME AS PASSAGE

..... ** **

DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/03/82	13	1620	FIRST READING -- COMMITTEE REPORTS C&RA FINANCE RULES

..... ** **

POSITION PAPER
HOUSE BILL 304
HOUSE FINANCE COMMITTEE
March 25, 1982

House Bill No 304 amends existing statute AS 46.03.030. This statute authorizes the Department of Environmental Conservation to award grants up to 50 percent of the eligible costs for water, sewerage, and solid waste facilities. The primary purpose of the amendment is to increase the state's grant percentage to 75 percent. The bill also provides for an effective date.

The department supports this legislation for several reasons:

- 1) Small municipalities are often unable to raise the 50 percent local match required under the existing statute. The amendment will allow many of these municipalities to improve their basic sanitation services.
- 2) Federal matching grants have been drastically reduced. It is expected that the EPA construction grant funds for FY 82 will not be appropriated. Adoption of HB 304 and the accompanying fiscal note will help offset the impact of decreased federal revenues.
- 3) Alaska's residents will receive a nontaxable financial benefit. The increase in state funds will reduce local user fees and property assessments, thereby providing a financial benefit. Since there is no direct monetary return to the taxpayer, there can be no increase in their federal income tax.

The department also supports the House HESS Committee substitute changing the effective date of the legislation to April 1. This change will allow those projects ready to proceed this summer to receive the higher grant participation.

The department also supports the amendment suggested in Commissioner Ernst Mueller's April 15, 1981, letter to Senators Bennett and Dankworth. This amendment will enable the department to continue the practice of awarding grants for water delivery and sewerage collection vehicles when this is the cost effective alternative. A recent opinion by the Office of the Attorney General prevents us from awarding these grants.

Under the existing statute, the department obligated nearly \$30.0 million for new water, sewerage, and solid waste projects in 1981. We estimate that the combination of decreased federal funds and passage of HB 304 will result in a demand for approximately \$41.0 million in grants for FY 83. The department therefore requests that an additional \$20.0 million be appropriated to fully finance the program. If HB 304 passes without a capital appropriation, the department plans to reduce the percentage of grant awards to a level corresponding to available funding resources.

II. FISCAL DETAIL

Agency Affected Department of Environmental Conservation

Program Category Affected NRMEC

BRU, Program, or Subprogram(s) Affected Facility Construction and Operation Section

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES	NA	NA	91.3	98.6	106.5	115.0
200 TRAVEL	NA	NA	14.0	15.1	16.3	17.6
300 CONTRACTUAL	NA	NA	8.0	8.6	9.3	10.1
400 COMMODITIES	NA	NA	.5	0.5	0.6	0.6
500 EQUIPMENT	NA	NA	2.5	---	---	---
600 LAND & STRUCTURES	NA	NA	---	---	---	---
700 GRANTS, CLAIMS, ETC.	NA	NA	20,000.0	40,000.0	43,200.0	46,656.0
TOTAL	NA	NA	20,116.3	40,122.8	43,332.7	46,799.3

FUNDING (Thousands of Dollars)

GENERAL FUND	NA	NA	20,116.3	40,122.8	43,332.7	46,799.3
FEDERAL FUNDS	NA	NA	---	---	---	---
OTHER (Specify Fund Source)	NA	NA	---	---	---	---

POSITIONS

FULL TIME	NA	NA	2.0	2.0	2.0	2.0
PART TIME	NA	NA	1.0	1.0	1.0	1.0
TEMPORARY	NA	NA	---	---	---	---

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note details the costs associated with hiring two new engineers (environmental engineers II and III) and converting an existing half time clerk typist II position to full time (PCN 18-7281). It is estimated that these additional staff will be required to handle the increased number of grants that will result from 75% funding. It may also be necessary to increase our level of effort on some projects, since smaller communities will now be applying for grants. Many of these communities do not have the expertise to administer engineering and construction contracts and may rely on the Department for assistance. There may also be a corresponding decrease in the level of effort now devoted to EPA projects. If this occurs, it may not be necessary to fill both engineering positions.

The \$20.0 million estimate for additional grant funding in FY 82 will need to be considered as an appropriation if funds are to be available. For subsequent years program funding may be provided through either bond issues, appropriations, or a combination of the two sources. For subsequent years we also recommend that any additional program expenditures be financed as a capital improvement program with funding coming from either the bond issues or the

IV. DATE March 23, 1981 PREPARED BY KEITH KELTON appropriate

AGENCY Department of Environmental Conservation

Original: Legislative Finance

PHONE 465-2610

cc: Budget and Management

Prime Sponsor (First Legislator Named)

ATTACHMENT A

CALCULATION OF INCREASED FUNDING REQUIREMENTS

1980 - Total State grant obligation	\$20.5 M
1980 - State matching grant obligations for EPA projects	<u>4.0 M</u>
1980 - State only grant obligations	16.5 M

EFFECT OF 75 PERCENT FUNDING ON STATE GRANT OBLIGATIONS

\$16.5 M X $\frac{75\% \text{ funding level}}{50\% \text{ funding level}}$	\$24.75 M
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EFFECT OF EPA FUNDING REDUCTIONS ON STATE GRANT OBLIGATIONS

Maximum future EPA funding estimated at	\$12.0 M/year
Present EPA funding average is	\$17.0 M/year

State Increase Required	=	\$17.0 - \$12.0	=	5.0 M
State Match	=	\$12.0 X 12.5%	=	<u>1.5 M</u>
				\$ 6.5 M

EFFECT OF SOLID WASTE GRANTS ON STATE GRANT OBLIGATIONS

Estimated annual demand for solid waste grants	\$ 6.0 M
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TOTAL FUNDING REQUIREMENTS

75% funding effect	\$24.75 M
EPA funding reduction effect	6.50 M
Solid waste grants effect	<u>6.00 M</u>
Total estimated annual needs based on 1980 rates	\$37.25 M

ADJUSTMENT FOR 10 PERCENT ANNUAL INFLATION

\$37.25 X 1.1	\$40.975 M
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Assume minimum FY 1982 funding requirement of	\$41.0 M
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ESTIMATED UNOBLIGATED BOND FUND BALANCE AT JULY 1, 1981

\$27.2 M - \$6.2 M	\$21.0 M Balance
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ESTIMATED ADDITIONAL NEEDS FOR FY 82

\$41.0 M - \$21.0 M	\$20.0 M Increase Applied
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Alaska MUNICIPAL League

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204 N FRANKLIN ST
JUNEAU, ALASKA 99801

March 23, 1982

To: House Finance Committee
From: Ginny Chitwood, AML Executive Director *GC*
Re: HB 304 - Grants for Water Supply, Sewerage,
& Solid Waste Facilities

The Alaska Municipal League urges your favorable consideration of HB 304, increasing the state share of construction grants for community water, sewer, and solid waste projects from 50% to 75% of the non-federal share.

Public Health Needs: Adequate and clean water, sanitary sewer, and solid waste disposal are basic public health issues that, for the most part, cannot be addressed on an individual basis. Because total costs of these projects are very large, it is hard for many areas to raise the current 50% local match.

Relief for Property Owners: The local share of water and sewer projects traditionally is paid by assessments on local property, not by general municipal taxation. Increasing the state share will provide direct relief to property owners and tax payers by reducing local improvement district (LID) payments.

Price of Land: A big issue for the last several years has been the high cost of land. One reason for the high prices in developing suburban areas is the cost of installing necessary water and sewer systems. Increased state participation in providing these systems will help lower the cost of making land available for use. For example, the per lot assessment for a proposed water system in Juneau would drop from \$1,217.19 to \$608.65 for the smallest lot in the project and from \$8,318.70 to \$4,159.35 for the largest lot, if the state share is increased to 75%. It cost an average of \$13,000 per lot in Ketchikan last year to provide sewerage under the current state construction grants program.

Mandated Costs: Many of the municipal water, sewer, and solid waste projects have costly additional features, not because communities want them but because they are

TO: Honorable Donald E. Clocksin
House Representatives

DATE: April 1, 1981

FILE NO:

TELEPHONE NO:

FROM:

K
Keith Kelton
Chief, Facility Construction &
Operation
Department of Environmental Conservation

SUBJECT: HB 304

In response to your request the Department proposes the following substitute wording for the first full sentence beginning on line 16 of page 1 of HB 304:

"A grant awarded under this subsection, for a project partly financed by the federal government, shall be limited to the lesser of 75 percent or the difference between the amount of the federal financing and 87.5 percent of the eligible project costs."

It is our belief that the proposed substitute wording will clarify any potential conflicts with line 12 and will still retain the provisions for local financing of 12.5 percent. Please advise if you have any additional concerns.

cc: Rep. Jim Duncan
Ginny Chitwood
Senator Donald Gilman