

Original sponsor: Duncan

Offered: 4/7/81
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 304 (HESS) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to grants for water supply, sewerage
7 and solid waste facilities; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 46.03.030(b) is amended to read:

11 (b) The department may grant to a municipality, as funds are
12 available, up to 75 [50] percent of eligible costs not financed by the
13 federal government, for public water supply, treatment and distribution
14 systems and public sewage collection, treatment and discharge facili-
15 ties for which construction has not commenced on or before July 1,
16 1982. A grant awarded under this subsection, for a project partly
17 financed by the federal government, shall be limited to the lesser of
18 75 percent of the eligible costs not financed by the federal government
19 or the difference between the amount of the federal financing and 87.5
20 percent of the eligible project costs [JUNE 21, 1976]. The eligible
21 cost of a project or portions of a project will be as determined by the
22 federal agency granting the most monetary assistance. On projects or
23 portions of projects, for which federal participation is not available,
24 eligible costs will be determined by the department in accordance with
25 (d) of this section. Projects shall be constructed in accordance with
26 plans and specifications approved by the department.

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

28 (e) The department may grant to a municipality not more than 75
29 [50] percent of the eligible costs, including costs of obtaining federal

1 waivers from the requirement for secondary treatment plants, which are
2 not paid for by the federal government for solid waste processing or
3 disposal facilities constructed after July 1, 1982 [1980]. However, the
4 department may grant a municipality up to 85 [60] percent of the
5 eligible costs not paid for by the federal government for a solid waste
6 processing or disposal facility constructed after July 1, 1982 [1980],
7 if the facility is used for resource recovery. The eligible costs of a
8 solid waste processing or disposal facility are determined by the
9 federal agency granting the most monetary assistance for construction of
10 the facility. For a solid waste processing or disposal facility for
11 which federal money is not available, the department shall determine the
12 eligible costs in accordance with (d) of this section. A municipality
13 shall construct solid waste processing or disposal facilities financed
14 by grants under this section according to plans and specifications
15 approved by the department.

16 * Sec. 3. This Act takes effect July 1, 1982.
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ALASKA STATE LEGISLATURE

TWELFTH Legislature ^{SECOND} FIRST Session

HOUSE BILL..... NO. 304..

By ...DUNCAN.....

"An Act relating to grants for water supply, sewerage and solid waste facilities; and providing for an effective date."

Grants for water supply, sewerage & solid waste facilities

Introduced in the House ..3/10..., 19...81

HISTORY IN THE HOUSE

19 81	Read first time and referred to Committee on
Mar. 10	HESS and Finance
Apr 7	Reported back with recommendation that
1982	<i>House report w/CS (New) proposed to Finance</i>
Mar 26	<i>House report w/CS (Pres) w/om - 8 proposed do not</i>
Apr 8	Read second time and
	<i>CS HB 304 (New) adopted amended to be</i>
Apr 8	Read third time and
Apr 12	<i>Reconsideration not taken up</i>
Apr 8	PASS ed Effective Date
	Yeas 21 Yeas
	Nays 6 Nays
	Absent 7 Absent <i>Carroll</i>
	Excused 0 Excused
Apr 8	<i>Halford</i> Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
Apr 12	Reported correctly engrossed
12	Signed by Speaker
13	Sent to Senate
	<i>Emilio Lopez</i> CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 81	Read first time and referred to Committee on
4/13	<i>Res. Fin</i>
55	Reported back with recommendation that
	<i>By Warren - To Sir</i>
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by President
	Returned to House
	SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

May 10, 1982

To: Senate Finance Committee

From: Ginny Chitwood, AML Executive Director

Re: HB 304 - Grants for Water Supply, Sewerage,
and Solid Waste Facilities

The Alaska Municipal League urges your favorable consideration of HB 304, increasing the state share of construction grants for community water supply, sewerage, and solid waste facilities 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 50% local match required by the current program.

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 taxpayers by reducing local improvement district (LID) payments. Additionally, none of the state assistance dollars under this program will result in increased federal tax payments, as is the case with many of the other state revenue distribution plans. LID payments, as opposed to property and sales tax payments, are not eligible as federal income tax deductions, nor are monthly charges for water, sewer, and solid waste services.

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 mandated by federal and/or state laws and regulations. It seems only fair that a large portion of the mandated cost be borne by other than local residents.

Price of Land: One of the reasons for the high price of land in developing suburban areas is the high 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 to \$608 for the smallest lots in the project, and from \$8,318 to \$4,159 for the largest 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.

At one time it was feared that an increase in the state share would be a disincentive for municipalities to seek federal funds, thus increasing even more the cost to the state. It has since been determined that "jumping through the hoops" for federal funds often increases project costs so high as to negate the benefits of those funds. Besides the extras required by the feds, the inflationary increases in the two additional years required for federal processing adds tremendously to the cost of the project. In contrast, the Alaska Department of Environmental Conservation has an excellent record of timely processing applications.

Most areas of the state are way behind the rest of the country in having basic water supply, sewage disposal, and solid waste facilities. Expanding the state's construction grants program, with adequate funding in the capital budget and bond package, is a means to accelerate the process of "catch-up". Because this is a matching grants program, an expenditure by the state will generate an increased amount of capital projects throughout the state. The new facilities will be maintained by the local governments and utility districts and will not require state operating assistance.

6 copies
for tonight

MEMORANDUM

State of Alaska

TO: Honorable Donald E. Clocksin
House of Representatives

DATE: April 1, 1981

FILE NO:

TELEPHONE NO:

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

SUBJECT: HB 304

KE

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

MEMORANDUM

TO: Representative Al Adams

FROM: Cheryl Frasca

SUBJECT: HB 304 - Grants for water supply, sewerage and solid waste facilities; ed

HB 304 increases grants available to municipalities for construction of water supply, sewerage and solid waste facilities.

Sectional Overview

Section 1. Amends the "Grants and Loans for Water Supply and Sewerage and Solid Waste Facilities" section by increasing grants from 50% to 75% of the costs not financed by the federal government on projects begun after 7/1/81 (statute currently provides grants for projects begun after 6/21/76). Adds new language whereby if federal funds are used, a state grant can't exceed more than the difference between federal funds and 87.5% of the eligible costs. (The HESS CS phrases this limitation differently but the intent is the same).

Section 2. Increases grants for solid waste processing and disposal facilities from 50% to 75% of costs not financed by federal funds on facilities constructed after 7/1/81 (currently 7/1/80). Grants for facilities used in resource recovery are increased from 60% to 85% of eligible costs not paid by federal funds.

Fiscal Impact - DEC

	FY 82	FY 83
administrative	116.3	122.8
grants	<u>20000.0</u>	<u>40000.0</u>
	20116.3	40122.8

DEC's fiscal note indicates two new engineers and increasing a half-time clerk to full time would be necessary to handle the increased number of grants since more communities will be able to meet the smaller match requirements. However, DEC did indicate that they are uncertain as to the actual increased number of applications that will be received and as a result, could probably hold off (such as not filling the new positions if they were approved) until the demand level is established.

As of November, 1981, DEC has 250 active projects with a staff of six engineers 1½ clerks, an auditor and a portion of an Administrative Assistant assigned to these types of projects. This averages out to about 40 projects/engineer.

FY FY 80 and FY 82, DEC has been operating on funding from the 1980 bond authorization (plus a small surplus from 1978). In FY 81, 10,800.0 for water projects and 6,700.0 for sewer projects were granted (during FY 81 the statute did not permit funds for solid waste projects which has since been changed). An approximate balance for FY 82 of 5,500.0 remains which DEC estimates will carry them through January, 1982.

HB 304
page 3

For FY 83, DEC has put together a two year bond request for 69,000.0 plus a 14,000.0 request for an appropriation to take care of applications from January, 1982 to when the bonds would be sold.

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.

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for House Bill No. 304 (HESS)

Title relating to grants for water supply, sewerage and solid waste facilities

Requested by Duncan

Date 3-10-81

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 not 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 appropriation

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		4.0 M
1980 - State only grant obligations		<u>16.5 M</u>

EFFECT OF 75 PERCENT FUNDING ON STATE GRANT OBLIGATIONS

\$16.5 M X	<u>75% funding level</u>		\$24.75 M
	50% funding level		=====

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
		=====

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	=	\$37.25 M
based on 1980 rates		=====

ADJUSTMENT FOR 10 PERCENT ANNUAL INFLATION

\$37.25 X 1.1	=	\$40.975 M
Assume minimum FY 1982 funding requirement of		\$41.0 M

ESTIMATED UNOBLIGATED BOND FUND BALANCE AT JULY 1, 1981

\$27.2 M - \$6.2 M	=	\$21.0 M Balance
		=====

ESTIMATED ADDITIONAL NEEDS FOR FY 82

\$41.0 M - \$21.0 M	=	\$20. M
		=====
		Increase in Appropriation

Original sponsor: Duncan

Offered: 4/7/81
Referred: Finance

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BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

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CS FOR HOUSE BILL NO. 304 (HESS) am

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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TWELFTH LEGISLATURE - SECOND SESSION

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A BILL

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For an Act entitled: "An Act relating to grants for water supply, sewerage
7 and solid waste facilities; and providing for an
8 effective date."

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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

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(e) The department may grant to a municipality not more than 75
[50] percent of the eligible costs, including costs of obtaining federal

1 waivers from the requirement for secondary treatment plants, which are
2 not paid for by the federal government for solid waste processing or
3 disposal facilities constructed after July 1, 1982 [1980]. However, the
4 department may grant a municipality up to 85 [60] percent of the
5 eligible costs not paid for by the federal government for a solid waste
6 processing or disposal facility constructed after July 1, 1982 [1980],
7 if the facility is used for resource recovery. The eligible costs of a
8 solid waste processing or disposal facility are determined by the
9 federal agency granting the most monetary assistance for construction of
10 the facility. For a solid waste processing or disposal facility for
11 which federal money is not available, the department shall determine the
12 eligible costs in accordance with (d) of this section. A municipality
13 shall construct solid waste processing or disposal facilities financed
14 by grants under this section according to plans and specifications
15 approved by the department.

16 * Sec. 3. This Act takes effect July 1, 1982.

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

465-2600

HB 304
JAY S. HAMMOND, GOVERNOR

POUCH 0 - 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

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