

H B

101

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

JAY S. HAMMOND, GOVERNOR

POUCH 0 - BUREAU 99811

February 15, 1983

The Honorable Mitchell E. Abood, Jr.
Chairman, House State Affairs Committee
Representative
Alaska State Legislature
Pouch V
Juneau, AK 99811

RECEIVED
FEB 16 1983

Dear Chairman Abood:

Re: HB 101

As requested by the House State Affairs Committee, the Department of Environmental Conservation, Representative Barbara Lacher's staff, and the Alaska Municipal League met to discuss the amendments proposed for House Bill 101. The Department proposed four amendments to HB 101 in its testimony before the committee on February 11, 1983. Mr. Robert Harris, testifying for Representative Lacher, objected to three of these amendments. During our discussions we were successful in reconciling our differences on two of the three objections.

All parties now support amendments 1, 2, and 4 to HB 101, which, if adopted, will match similar changes made to SB 21.

AMENDMENT #1 - Add Section 3, AS 46.03.030(d) to read:

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 the construction of a project, but do not include the cost of interest in financing and right-of-way acquisition, or costs related to operation, maintenance, repair or replacement of a project. Eligible costs include the costs of the initial purchase of water delivery and sewage collection vehicles if the water delivery and sewage collection 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 these vehicles.

AMENDMENT #2

Delete the following clause in Section 2, AS 46.03.030(e) beginning on page 1, line 29; [INCLUDING COSTS OF OBTAINING FEDERAL WAIVERS FROM THE REQUIREMENT FOR SECONDARY TREATMENT PLANTS.] This provision is now obsolete since the time period for applying for these waivers has passed.

AMENDMENT #4

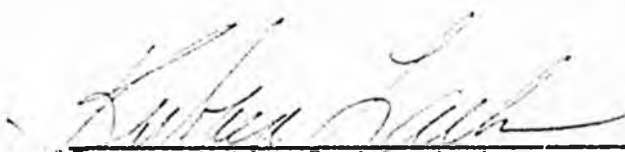
The addition to the statute contained on page 1 of the bill and beginning on line 16 with the word "If" is no longer relevant. It was originally included to provide a maximum State/federal funding ceiling of 87.5 percent when 75 percent federal grants were available from the U.S. Environmental Protection Agency. Since the EPA grants are being reduced to 55 percent in 1984 and other federal grants are scarce, this provision could probably be dropped. However, until the federal law change in 1984 it is possible for some communities to qualify for a combined State/federal grant of 92.5 percent. Deletion of the subject clause from the bill will make it possible for the higher participation.

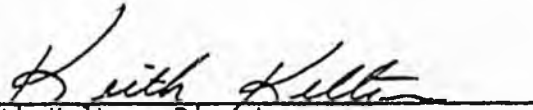
AMENDMENT #3 - No agreement reached

Add a provision in Section 1, AS 46.03.030 after line 19, page 1. Total State funding, from all sources, shall not exceed 75 percent of eligible project costs not financed by the federal government. This provision prevents the municipal grants program from fully matching legislative appropriations, which would result in 100 percent project financing by the State. Requiring a minimum of 25 percent local funding will provide for more local project management.

We were unable to reach agreement on this proposed amendment. The Administration's philosophy to limit grant participation and extend the Department's resources does not match that of Representative Lacher. The committee's evaluation on the merits of this amendment will be required.

The undersigned agree that the above statements reflect their understanding of the agreement reached.


Representative Barbara Lacher
House of Representatives


Keith Kelton, Director
Facility Construction and Operation
Department of Environmental Conservation

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

February 11, 1983

To: House State Affairs Committee

From: Ginny Chitwood, AML Executive Director

Re: HB 101 - Grants for Water Supply, Sewerage, and Solid Waste Facilities

The Alaska Municipal League urges your favorable consideration of HB 101, 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 programs. Further compounding the problem is the decrease in available federal funding.

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.

Most areas of the state are way behind the rest of the country in having basic water supply, sewerage disposal, and solid waste facilities. Expanding the state's construction grants program 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.

DISCLAIMER: This fiscal note has not been reviewed by the OMB in the Office of the Governor. It does not necessarily represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

COPY

I. REQUEST

Bill/Resolution No. House Bill 101
 Title An Act relating to grants for water supply, sewerage, and solid waste
 Requested by Lacher and Szymanski Date _____
 facilities; 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 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)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		19.5	21.5			
TOTAL		19.5	21.5			

FUNDING (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND		19.5	21.5			
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME		-0-	-0-			
PART TIME						
TEMPORARY						

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

Estimating the fiscal impact of this bill requires that several assumptions be made: 1) that the base level of funding appropriated by the Legislature remains approximately \$30.0 million per year; 2) that the Legislature wishes to increase the base level to fund the same number of projects at the higher level; and 3) increased funding would be provided to meet the demand created by smaller communities seeking 75% grants where they now are required to provide only a 25% match. The effect of these assumptions is an increase of approximately \$19.5 million in FY-84 with a 10% annual increase thereafter.

$$\begin{array}{r}
 \$30.0 \times 75/50 = \$45.0 \\
 6.0 \times .75 = 4.5 \\
 \text{Total} = \$49.5
 \end{array}
 \qquad
 \begin{array}{r}
 \$49.5 \text{ million} - \$30.0 \text{ million} = \$19.5 \text{ million}
 \end{array}$$

cont'd

IV. DATE January 24, 1983 PREPARED BY Keith Kelton

Original: Legislative Finance AGENCY ADEC
 cc: Budget and Management PHONE 465-2610
 Prime Sponsor (First Legislator Named)

The fiscal impact of this bill could be much larger if the Legislature attempts to appropriate funds sufficient to meet all the identified needs for water, sewage, and solid waste facilities. A survey conducted by the Department in July of 1982 indicated a total grant demand exceeding \$230 million for fiscal years 84 and 85. Assuming appropriations adequate to meet even 50 percent of this demand, the impact of increasing grants to 75 percent results in \$57.5 million impact for FY-84; therefore, it is obvious that the fiscal impact depends solely upon the size of the appropriation and can be limited to whatever the Legislature wishes.

If the Legislature wishes to fund the same number of projects as in the past at the new 75 percentage rate, plus meet the new demand from smaller communities, the fiscal impact is \$19.5 million. On the other hand, if the intent is to appropriate only \$30 million regardless of the percentage of State grant, there is no fiscal impact.

Alaska State Legislature

REPRESENTATIVE
BARBARA LACHER
PO BOX 478
PALMER, ALASKA 99645
(907) 376-4215



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4894

House of Representatives

TO: Representative Mitch Abood
FROM: Representative Barbara Lacher
DATE: February 10, 1983
SUBJECT: Department of Environmental Position Paper
HB 101

The following are my comments pertaining to proposed amendments to HB 101 as recommended by the Department:

Amendment #1 excludes land acquisition from the eligible costs of sewer and water projects. This exclusion creates a "catch 22" situation in many communities with a small tax base.

In certain other state grant programs, the applicant must own the proposed development site prior to acceptance of a grant application by the State agency. Senior citizens housing projects comprise one such program.

Small communities attempting to construct a sewerage treatment plant, lagoons, and interceptors must first bear the expense of preliminary surveys, studies, engineering design and grant application preparation. The amendment may also require them to purchase several acres of land prior to submitting a grant application for which there is no assurance of approval.

The land purchase will also have to be made by the community before final design and cost estimates are prepared and before a Local Improvement District is formed and assessed upon approval by vote of the local property owners.

Amendment #3

The proposed limit of 75 % of state funding from all state sources is an assumption of legislative authority and decision making.

I agree with the philosophy that local communities must assume some of the burden of financing the capital costs of local sewer and water projects in addition to the operation and maintenance costs. However, it is also within my responsibility as a legislator to be aware of the revenue raising capability of communities that I represent and to make determinations on whether or not additional assistance is required.

The 75 % limit on small projects may not impose a hardship in some communities but this arbitrary limit on total state assistance may preclude the acceptance of a self-imposed tax assessment for the more expensive projects. The more expensive projects are generally those that require establishing new treatment plants, lagoons, or long outfall lines. Generally, these capital intensive projects are of the nature needed in smaller communities with no existing system, a small tax base and, thus, least likely to afford the large initial investment.

The option for legislators to provide additional assistance to offset some of the costs to property owners must be retained. I request that this proposed amendment not be accepted.

POSITION PAPER ON HOUSE BILL 101
by the
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
Before the
HOUSE STATE AFFAIRS COMMITTEE
February 11, 1983

House Bill No 101 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 from 50 to 75 percent. The bill also provides for an effective date.

This bill contains the same major provisions as SB 252 which passed the Legislature last year and was vetoed by Governor Hammond due to several minor provisions not found in HB 101. In his veto statement Governor Hammond stated his support for the basic legislation and his intent to recommend that the new administration reintroduce the bill this session. The Sheffield administration also supports the concept and has directed the Department of Law to draft a bill raising the grant funding percentage. This bill has been introduced through the House Rules Committee. The administration's proposed bill differs slightly from HB 101 but both contain the same major provisions.

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. Adoption of HB 101 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 gain for the taxpayer, there can be no increase in their federal income tax.

The Department respectfully recommends that the committee consider four amendments to HB 101, which will make the bill consistent with the administration's proposal. We request that HB 101 be amended as follows.

- 1) Add Section 3, AS 46.03.030(d) to read:

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 the construction of a project, but do not include the cost of interest and financing and right-of-way and land acquisition, or costs related to operation, maintenance, repair or replacement of a project. Eligible costs include the costs of the initial purchase of water delivery and sewage collection vehicles if the water delivery and sewage collection 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 these vehicles.

- 2) Delete the following clause in Section 2, AS 46.03.030(e) beginning on page 1, line 29; [INCLUDING COSTS OF OBTAINING FEDERAL WAIVERS FROM THE REQUIREMENT FOR SECONDARY TREATMENT PLANTS.] This provision is now obsolete since the time period for applying for these waivers has passed.

- 3) Add a provision in Section 1, AS 46.03.030 after line 19, page 1. Total State funding, from all sources, shall not exceed 75 percent of eligible project costs not financed by the federal government. This provision prevents the municipal grants program from fully matching appropriations, which would result in 100 percent project financing by the State. Requiring a minimum of 25 percent local funding will provide for more local project management.

- 4) The addition to the statute contained on page 1 and beginning on line 16 with the word "If" is no longer relevant. It was originally included to provide a maximum State/federal funding ceiling of 87.5 percent when 75 percent federal grants were available from the U.S. Environmental Protection Agency. Since the EPA grants are being reduced to 55 percent in 1984 and other federal grants are scarce, this provision could probably be dropped.

Adoption of HB 101 will result in construction of projects that would not have been built under the 50 percent funding program. As a practical matter, however, there is no means by which we can reliably predict which projects will be affected or their costs. The attached fiscal note estimates that if

the base level of funding remains constant at \$30.0 million per year, the effect of this bill will be approximately \$19.5 million in FY-84.

Thank you for the opportunity to present these comments. I will be happy to address any questions you may have.



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: House State Affairs Committee
Attention: Carol

FROM: Representative Barbara Lacher
House C & R A Committee

SUBJECT: House Bill 101, an act relating to grants for water supply, sewerage, and solid waste facilities.

HB 101 is a companion bill, identical to SB 21. The attached materials were prepared by various agencies in support of SB 21. Rather than ask each agency to reproduce their documents and reflect HB 101 as the subject, I believe it more rational to provide to you copies of their products.

The Department of Environmental Conservation position paper makes reference to SB 252 which was vetoed by Governor Hammond. A copy of the veto letter is included; you will find none of the cited objections in HB 101.

The following persons may be contacted for further information or to appear as witnesses:

Keith Kellton, DEC, Juneau
Ginny Chitwood, Alaska Municipal League, Juneau
City Manager of Juneau

POSITION PAPER ON SENATE BILL 21
by the
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
Before the
SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE
January 25, 1983

Senate Bill No 21 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 from 50 to 75 percent. The bill also provides for an effective date.

This bill contains the same major provisions as SB 252 which passed the Legislature last year and was vetoed by Governor Hammond due to several minor provisions not found in SB 21. In his veto statement Governor Hammond stated his support for the basic legislation and his intent to recommend that the new administration reintroduce the bill this session. The Sheffield administration also supports the concept and has directed the Department of Law to draft a bill raising the grant funding percentage. The administration's proposed bill differs slightly from SB 21 but both contain the same major provisions.

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. Adoption of SB 21 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 gain for the taxpayer, there can be no increase in their federal income tax.

The Department respectfully recommends that the committee consider four amendments to SB 21, which will make the Bill consistent with the administration's proposal. We request that SB 21 be amended as follows.

- 1) Add Section 3, AS 46.03.030(d) to read:

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 the construction of a project, but do not include the cost of interest and financing and right-of-way and land acquisition, or costs related to operation, maintenance, repair or replacement of a project. Eligible costs include the costs of the initial purchase of water delivery and sewage collection vehicles if the water delivery and sewage collection 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 these vehicles.

- 2) Delete the following clause in Section 2, AS 46.03.030(e) beginning on page 1, line 29; [INCLUDING COSTS OF OBTAINING FEDERAL WAIVERS FROM THE REQUIREMENT FOR SECONDARY TREATMENT PLANTS.] This provision is now obsolete since the time period for applying for these waivers has passed.

- 3) Add a provision in Section 1, AS 46.03.030 after line 19, page 1.
Total State funding, from all sources, shall not exceed 75 percent of eligible project costs not financed by the federal government.
This provision prevents the municipal grants program from fully matching appropriations, which would result in 100 percent project financing by the State. Requiring a minimum of 25 percent local funding will provide for more local project management.

- 4) The addition to the statute contained on page 1 and beginning on line 16 with the word "If" is probably no longer relevant. It was originally included to provide a maximum State/federal funding ceiling when 75 percent federal grants were available from the U.S. Environmental Protection Agency. Since the EPA grants are being reduced to 55 percent in 1984 and other federal grants are scarce, this provision could probably be dropped.

Adoption of SB 21 will result in construction of projects that would not have been built under the 50 percent funding program. As a practical matter, however, there is no means by which we can reliably predict which projects

will be affected or their costs. The attached fiscal note estimates that if the base level of funding remains constant at \$30.0 million per year, the effect of this bill will be approximately \$19.5 million in FY-84.

Thank you for the opportunity to present these comments. I will be happy to address any questions you may have.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 16, 1982

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

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 "obsolete" 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.

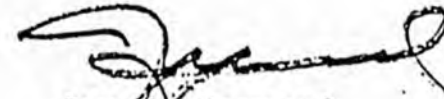
Finally, the bill would mandate that the Department of Environmental Conservation provide grants to communities with village safe water projects to assist in operation and maintenance of those projects. Presently, the authority to provide those grants is contained in the Village Safe Water Act and is 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 effect 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.

Sincerely,



Jay S. Hammond
Governor

Offered: 5/15/82
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 252 (Finance) am H

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 70 [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 facilities
15 for which construction has not commenced on or before July 1, 1982. If
16 a project is partially financed by the federal government, a grant under
17 this subsection may not exceed the difference between the amount of the
18 federal financing for the project and 87.5 percent of the eligible costs
19 of the project [JUNE 21, 1976]. The eligible cost of a project or
20 portions of a project will be as determined by the federal agency
21 granting the most monetary assistance. On projects or portions of
22 projects, for which federal participation is not available, eligible
23 costs will be determined by the department in accordance with (d) of
24 this section. Projects will be constructed in accordance with plans and
25 specifications approved by the department.

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

27 (d) The department shall, by regulation, identify those costs
28 which are eligible costs for the purposes of this section. Eligible
29 costs include the costs [ESTABLISHED IN A CONSTRUCTION CONTRACT] which

1 are necessary for construction of a project including the costs of re-
2 placing obsolete facilities, but do not include the cost of interest and
3 financing and right-of-way acquisition, or costs related to operation,
4 maintenance, and normal repairs. Eligible costs include the costs of
5 the initial purchase of water delivery and honey bucket collection
6 vehicles if the vehicles are determined by the department to be cost
7 effective compared with conventional water supply and sewage collection
8 systems. Eligible costs also include the cost of facilities for the
9 maintenance and storage of those vehicles [REPAIR OR REPLACEMENT OF A
10 PROJECT].

11 * Sec. 3. AS 46.03.030(e) is amended to read:

12 (e) The department may grant to a municipality not more than 70
13 [50] percent of the eligible costs, including costs of obtaining federal
14 waivers from the requirements for secondary treatment plants, which are
15 not paid for by the federal government for solid waste processing or
16 disposal facilities constructed after July 1, 1982 [JULY 1, 1980].
17 However, the department may grant a municipality up to 85 [60] percent
18 of the eligible costs not paid for by the federal government for a solid
19 waste processing or disposal facility constructed after July 1, 1982
20 [JULY 1, 1980], if the facility is used for resource recovery. The
21 eligible costs of a solid waste processing or disposal facility are
22 determined by the federal agency granting the most monetary assistance
23 for construction of the facility. For a solid waste processing or
24 disposal facility for which federal money is not available, the depart-
25 ment shall determine the eligible costs in accordance with (d) of this
26 section. A municipality shall construct solid waste processing or
27 disposal facilities financed by grants under this section according to
28 plans and specifications approved by the department.

29 * Sec. 4. AS 46.03.030 is amended by adding a new subsection to read:

1 (f) The department shall make a grant to a municipality or unin-
2 corporated community to supplement revenues to assist in the payment of
3 operation and maintenance costs for a village safe water and sewer
4 facility.

5 * Sec. 5. AS 46.03.900(19) is amended to read:

6 (19) "sewer system" or "sewerage system" means pipelines or
7 conduits, pumping stations, and force mains, and all other appurtenant
8 constructions, devices, and appliances used for conducting sewage,
9 industrial waste, or other wastes to a point of ultimate disposal and
10 includes the original purchase of ~~water delivery~~ and honey bucket col-
11 lection vehicles if the vehicles are determined by the department to be
12 cost effective compared with conventional water supply and sewage col-
13 lection systems and facilities for the maintenance and storage of
14 those vehicles;

15 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10-
16 070(c).

Alaska MUNICIPAL League

TELEPHONES
907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

January 25, 1983

To: Senate Community and Regional Affairs Committee

From: Ginny Chitwood, AML Executive Director

Re: SB 21 - Grants for Water Supply, Sewerage, and Solid Waste Facilities

The Alaska Municipal League urges your favorable consideration of SB 21, 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 water 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 programs.

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.

Most areas of the state are way behind the rest of the country in having basic water supply, sewerage disposal, and solid waste facilities. Expanding the state's construction grants program 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.

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-served 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	624,600	

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>	
			\$18,686,530	

Alaska MUNICIPAL League

TELEPHONES
607) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

March 26, 1981

to: Senate Community & Regional Affairs Committee

from: Ginny Chitwood

re: SB 252 - Grants for Water Supply, Sewerage, and Solid
(AB 101) Waste Facilities

Alaska Municipal League urges your favorable consideration of SB 252, increasing the state share of construction grants for community water, sewer, and solid waste projects from 50% to 75% of the non-federal share. In looking at various ways to distribute the state's revenues, this proposal should rank high on the list for many reasons:

1.-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 most areas to raise the current 50% local match.

2.-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.

3.-Federal Income Tax. None of the state assistance dollars under this program will result in increased federal income tax payments, as is the case with many of the other distribution proposals. LID payments, as opposed to property and sales tax payments, are not deductible, nor are monthly charges for water, sewer, and solid waste services.

4.-Price of Land. A big issue for the last couple of years has been the high cost of land. One reason for these high prices in developable suburban areas is the high cost of installing necessary water and sewer systems. Increasing state participation in providing these systems will help to lower the cost of making land available for use. For example, it costs an average of \$13,000 per lot in Ketchikan to provide sewerage under the current state construction grants program. In Juneau, the per lot assessment for a proposed water system 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%.

5.-Mandated Costs. Many of the municipal water, sewer, and solid waste projects are constructed not because communities

want them but because they are mandated by federal state laws. It seems only fair that a large portion of the mandated costs be borne by other than the local governments.

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 in many cases, "jumping through the hoops" for federal funds increases project costs so high as to negate the benefits of those funds. In addition to the extras required by the feds, the inflationary increases in the two extra years required for federal processing add tremendously to the cost of a project. In contrast, the Alaska Department of Environmental Conservation has an excellent record of timely processing applications.