

S B

167

HOUSE COMMITTEE REPORT

(9)

Date referred: 4/17/87

FURTHER REFERRALS: Finance

DATE: 5/3/87

The Resources Committee has considered HCS SB 167 (Res)

"An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a revolving loan fund; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: 5/2 letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published 3/17/87
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

[Signature]

[Signature]

[Signature]

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[Signature]

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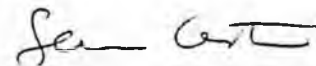
SIGNING OTHER RECOMMENDATIONS:

[Signature]
Chairman's signature

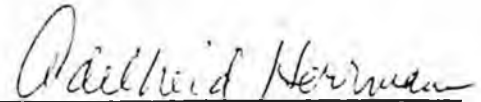
House Resources Committee
LETTER OF INTENT

TO HCS CSSB 167 (Resources)

It is the intent of the Legislature that a community seeking financial assistance from the Alaska Clean Water fund (AS 46.03.032) for costs associated with wastewater treatment facility construction, should first pursue loan funds before applying for state water and sewer grant funds.



Co-Chair, House Resources
May 2, 1987



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STATE OF ALASKA
THE - LEGISLATURE

POUCH OF STATE COUNCIL
BUREAU ALASKA 99501
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

May 2, 1987

SUBJECT: Dedicated funds (Draft HCS SB 167
(Resources) - 5/2/87)

TO: Representative John Sund

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

The most recent version of HCS SB 167 (Resources) provides, in Sec. 46.03.032(n), that principal repayments from loans made with state appropriations in excess of the federal matching requirements shall be deposited in the clean water fund. It requires that the interest portion of loan repayments and the earnings on those amounts be deposited in the general fund.

You have requested an opinion concerning whether retaining those principal repayment amounts in the clean water fund conflicts with Art. 9, sec. 7 of the state constitution. That section provides

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article [Alaska Permanent Fund] or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

The Alaska Supreme Court has not ruled whether the dedicated funds prohibition applies to money appropriated to a revolving loan fund to forbid the recycling of the repayments of principal. The amounts in question do not fall within the federal program exception. In an opinion dated November 30, 1982, the Attorney General suggests that

Representative Sund
Page 2
May 2, 1987

A strong argument can be made that money once appropriated, regardless of the mechanism utilized, loses its character as revenue for the purpose of the dedicated funds prohibition because the purpose of the prohibition, i.e., that the legislature retain control over state revenues, has been satisfied.

Under this reasoning there would be no unlawful dedication involved in the return to a revolving loan fund of principal repayments on loans. The initial appropriation would suffice to authorize the use of that money for other loans until the legislature reappropriates the unobligated assets of the fund or abolishes the fund. (Emphasis supplied)

It is not possible to answer your question with certainty. However, retaining principal repayments in a revolving loan fund is more likely to survive the prohibition against dedicated funds than retaining repayments of interest or the earnings on the repayments and a strong argument can be made in defense of the legislation.

If I may be of further assistance, please advise.

TC:lmb
L5/085

Enclosure

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

POSITION PAPER

Bill No: SB 167

Date: March 16, 1987

Title: An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a Revolving Loan Fund; and providing for an effective date.

Contact: Gary Hayden
465-2610

Department's Position

We support the bill.

Effect of the Bill

SB 167 would create the mechanism the State needs to take advantage of federal dollars authorized under the 1987 amendments to the Clean Water Act. The amendments provide for a transition from a federally funded grant program for sewage treatment facilities to a federally and State funded loan program. About \$69 million in federal funds will be available in the next seven years to capitalize a revolving loan fund in Alaska. The State would match with another twenty percent. SB 167 will allow the Department of Environmental Conservation to make low interest loans to communities to construct sewage treatment plants.

The bill also makes adjustments to the existing statute concerning the Department's fifty percent Construction Grants Program.

Impact on the Agency

The proposed revolving loan program would replace the federal grant program being administered by the Department. Therefore, we would administer the proposed loan program with existing staff, with no increase in the operating budget.



Dennis D. Keiso
Commissioner

Position Paper
re fiscal note
(revised w/ Halpern's
input)
given to Halpern
3-17-87

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: SB 167
Publish Date: _____

Revision Date: _____
Title: Grants for water supply & sewage facilities; establishing revolving loan fund
Sponsor: Senator Halford
Requestor: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	2179.0	2152.7	2252.7	2905.4	2179.0
FEDERAL FUNDS	-0-	10895.4	10763.6	11263.6	14527.2	10895.4
OTHER						
TOTAL	-0-	13074.4	12916.3	13516.3	17432.6	13074.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) Passage of the revolving loan fund bill will give the state the ability to accept a total of \$69,240,000 in federal dollars to capitalize the fund. Federal funds require a 20% state match. Passage of the bill does not obligate the state to accept the federal dollars or to appropriate the match. *Please see attachment.

Prepared by: Lori Telfer Phone: 465-2610
Division: Facility Construction and Operation Date: 3/17/87

Approved by Commissioner: [Signature] Date: 3/17/87
Agency: Environmental Conservation

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

FISCAL NOTE ASSUMPTIONS AND ANALYSIS

- 1 All operating and administrative expenses will be paid by a percentage set aside from annual federal grants to the program. Operating projections have, therefore, been left blank. Additional staff will not be needed. Staff that now administer the federal grant program will administer the federal loan program.
- 2 Loan repayments to the fund and interest earned by the fund have not been included in this analysis.
- 3 Federal capitalization grants to the loan fund will be available annually for seven years (FFY 88 - FFY 94). An extension of the fiscal analysis on the front page is given below.

	<u>FY 93</u>	<u>FY 94</u>
General Fund	1,452,720	726,360
Federal Funds	7,262,600	3,631,800
Other	-0-	-0-
Total	8,716,320	4,358,160

SEVEN YEAR TOTAL: General Fund \$ 13,848,120
 Federal Funds \$ 69,240,600
 \$ 83,088,720

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P O BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

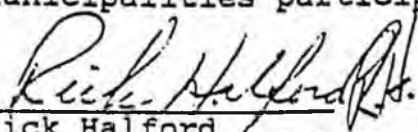
LETTER OF INTENT
SB 167

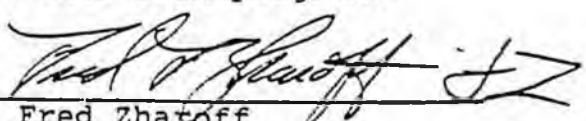
It is the intent of the Senate Committee on Community and Regional Affairs that, contingent upon federal requirements, when establishing interest rate policy as defined in AS 46.03.032 (i) (2) and setting interest standards for collateral or security as defined in AS 46.03.032 (i) (4) and (e), the department will adhere to the following;

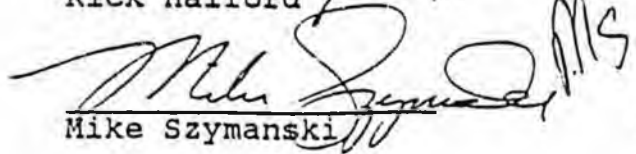
1. The interest rate charged to a community for loans from the Alaska Clean Water Fund will be 66% of the current rate defined by the Municipal Bond Index for all loans prior to July 1, 1992, and 75% of the current rate for all loans after July 1, 1992; and

2. In order to determine that repayment of loans is secured (as required by federal legislation), the department will perform a financial capability review of the community. This review must demonstrate that the recipient has sufficiently pledged a dedicated revenue stream to repay the loan as well as operate and maintain the facility; and

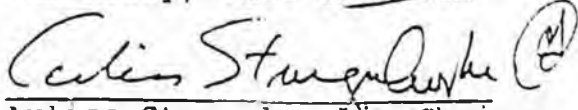
3. Municipalities that repay loans to the Alaska Clean Water Fund by consumer utility billings will charge a rate that is consistent with the savings realized by municipalities participating in this loan program.


Rick Halford

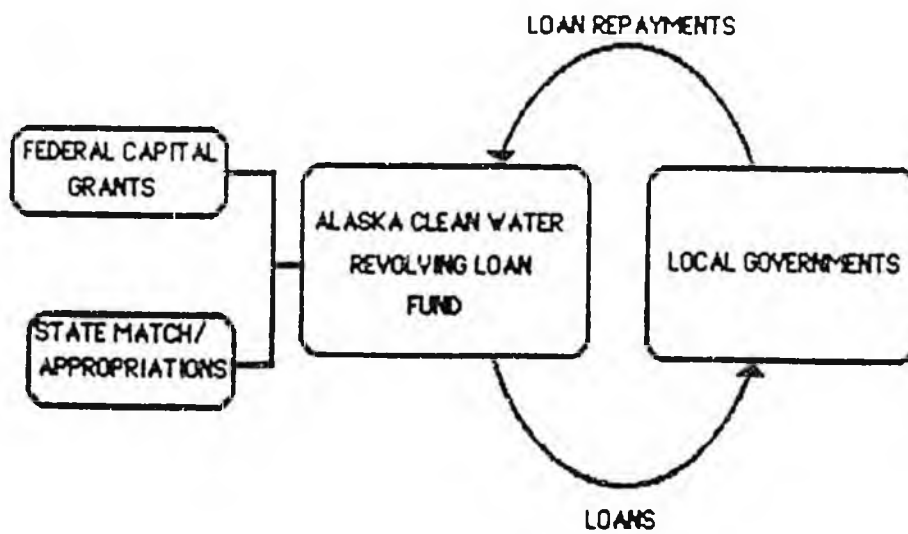

Fred Zharoff


Mike Szymanski


Tim Kelly, Vice Chairman


Arliss Sturgulewski, Chair

THE ALASKA CLEAN WATER REVOLVING LOAN FUND



April 15, 1987

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
STATE REVOLVING WASTEWATER TREATMENT FACILITIES LOAN FUND

BACKGROUND OF FEDERAL GRANTS PROGRAM

- The Federal Government is phasing out its construction grant program for wastewater treatment projects
- Since 1972 \$177,161,685 for Alaskan communities
- 1982 The Department received full delegation of federal program
- Program will be phased out by 1990

CLEAN WATER REVOLVING LOAN FUND

- From 1987 to 1994, \$69,240,600 seed money from the Federal Government available to establish a revolving loan fund for wastewater treatment projects
- Requires 20% state match, for total of \$13,848,120
- After 1994 no more federal money will be put into the fund. It should be self sustaining
- Loans will be made at rate less than or equal to the current market rate

PROGRAM ADMINISTRATION

- The existing staff of The Facility Construction and Operation Division will be used for the loan program
- Administrative costs will come from loan fund
- Operation of the loan program will follow current federal construction grants procedures
- Projects selected by same process used in current federal program

TYPES OF ASSISTANCE

- Low interest rate loans
- Refinancing of certain projects
- Guaranteeing or purchasing insurance of local obligations

PROGRESS TO DATE

- Received 23 responses after survey of municipal officials
- Ran computer simulations of loan program
- SB167 sponsored by Senators Halford and Sturgulewski sets up the statutory framework for the Alaska Clean Water Fund
- SB167 was passed out by the Senate Community and Regional Affairs and Senate Finance Committees. It then passed the Senate floor with a 18-0 vote.

EXHIBIT I

HISTORY OF EPA GRANTS BY MUNICIPALITY
MUNICIPALITY TOTAL FED GRANT AWARDS

ANCHORAGE	\$54,982,845
BRISTOL BAY BOR.	\$6,131,552
CORDOVA	\$3,194,776
DILLINGHAM	\$1,526,780
FAIRBANKS	\$11,475,009
HAINES	\$1,086,224
HOMER	\$15,000
JUNEAU	\$19,188,866
KENAI	\$4,181,559
KETCHIKAN	\$12,918,119
KODIAK	\$7,553,029
NOME	\$308,358
PALMER	\$1,056,674
PELICAN	\$37,497
PETERSBURG	\$6,285,531
SELDOVIA	\$18,579
SEWARD	\$5,404,575
SKAGWAY	\$2,455,092
SITKA	\$17,498,197
SOLDOTNA	\$2,739,608
UNALASKA	\$4,055,070
VALDEZ	\$4,889,029
WASILLA	\$8,916,207
WHITTIER	\$856,420
WRANGELL	\$337,089
TOTALS:	\$177,161,685

3/17/87

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
FACILITY CONSTRUCTION & OPERATION

ACTIVE PROJECTS

Anchorage	- 020087-04	Point Woronzof Outfall	\$ 3,860,307
Anchorage	- 020087-05	Chester Creek Interceptor	2,110,133
Anchorage	- 020087-07	Point Woronzof Phase VI	18,464,000
Anchorage	- 020087-09	Gravity Thickeners	1,788,080
Anchorage	- 020087-10	Effluent Tunnel	4,188,204
Dillingham	- 020066-02	Wastewater Treatment Facility	1,526,720
Juneau	- 020108-01	Mendenhall STP Expansion	13,105,000
Petersburg	- 020047-03	Sewerage Facility	4,055,000
Wasilla	- 020073-02	Sewerage System	6,554,506

3/19/87

COMMUNITIES EXPRESSING AN INTEREST IN THE ALASKA CLEAN WATER FUND.

TWENTY-THREE COMMUNITIES RESPONDED TO THE SURVEY THE DEPARTMENT SENT OUT LAST SEPTEMBER. ALL RESPONDENTS INDICATED AN INTEREST IN THE LOAN PROGRAM. A LISTING OF RESPONDENTS FOLLOWS. IT SHOULD BE NOTED THAT AT THE TIME THE QUESTIONNAIRE WAS SENT OUT, IT WAS BELIEVED THAT THE LOAN FUND WOULD NOT BE AN AVAILABLE SERVICE TO SECOND CLASS CITIES, THEREFORE THEY WERE NOT SURVEYED. WE HAVE SINCE FOUND OUT THAT SUCH CITIES ARE ELIGIBLE TO PARTICIPATE IN THE PROGRAM.

1. KING COVE
2. NORTH SLOPE BOROUGH
3. SAND POINT
4. SOLDOTNA
5. KETCHIKAN GATEWAY BOROUGH
6. YAKUTAT
7. PETERSBURG
8. SITKA
9. CITY OF KETCHIKAN
10. UNALASKA
11. KODIAK ISLAND BOROUGH
12. HAINES
13. CRAIG
14. GALENA
15. BRISTOL BAY BOROUGH
16. JUNEAU
17. FAIRBANKS
18. ST. MARY'S
19. MUNICIPALITY OF ANCHORAGE
20. KODIAK
21. NORTH POLE
22. PELICAN
23. NOME

ISSUE: WHO IS ELIGIBLE TO RECEIVE LOANS FROM THE CLEAN WATER FUND?

THERE ARE THREE FEDERAL REQUIREMENTS WHICH OUTLINE WHO CAN RECEIVE LOANS FROM THE FUND:

FEDERAL WATER POLLUTION CONTROL ACT (P.L. 100-4)

THE STATE WILL REQUIRE AS A CONDITION OF MAKING A LOAN ...FROM THE FUND THAT THE RECIPIENT OF SUCH ASSISTANCE WILL MAINTAIN PROJECT ACCOUNTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT ACCOUNTING PROCEDURES."

SEC. 603 (C). "THE AMOUNTS OF FUNDS AVAILABLE TO EACH STATE WATER POLLUTION CONTROL REVOLVING FUND SHALL BE USED ONLY FOR PROVIDING FINANCIAL ASSISTANCE (1) TO ANY MUNICIPALITY, INTERMUNICIPAL, OR STATE AGENCY FOR CONSTRUCTION OF PUBLICLY OWNED TREATMENT WORKS (AS DEFINED IN SEC. 212 OF THIS ACT)."

SEC. 603 (d)(1)(c). "THE RECIPIENT OF A LOAN WILL ESTABLISH A DEDICATED SOURCE OF REVENUE FOR REPAYMENT OF LOANS."

FEDERAL DEFINITION OF "MUNICIPALITY":

"A CITY, TOWN, ETC..HAVING ITS OWN INCORPORATED GOVERNMENT FOR LOCAL AFFAIRS."

AS SEC. 29.08.030:

"GENERAL LAW MUNICIPALITIES ARE OF FIVE CLASSES:

- (1) FIRST CLASS BOROUGHS;
- (2) SECOND CLASS BOROUGHS;
- (3) THIRD CLASS BOROUGHS;
- (4) FIRST CLASS CITIES;
- (5) SECOND CLASS CITIES;

AS SEC 46.03.900 (PROVIDES DEFINITIONS FOR CHAPTER DEALING WITH POWERS AND LIMITATIONS OF THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION):

"MUNICIPALITY MEANS AN ORGANIZED BOROUGH OR AN INCORPORATED CITY OUTSIDE AN ORGANIZED BOROUGH, AND INCLUDES ALL CLASSES OF BOROUGHS AND CITIES WHETHER HOME RULE OR OTHERWISE."

APPLICATION

CITIES AND BOROUGHS ARE DISTINCT LEGAL ENTITIES (MUNICIPALITIES) INCORPORATED UNDER THE LAWS OF ALASKA TO PERFORM BOTH REGULATORY AND PROPRIETY FUNCTIONS. THESE POWERS CAN ALLOW A CITY TO PROVIDE A WIDE RANGE OF COMMUNITY SERVICES AND FACILITIES; IN PRACTICE, HOWEVER, POPULATION AND FISCAL CONSTRAINTS SERVE TO LIMIT THE NUMBER PROVIDED BY MANY CITIES. ALTHOUGH ANY INCORPORATED BOROUGH, MUNICIPALITY, FIRST AND SECOND CLASS CITY IS ELIGIBLE BY DEFINITION TO RECEIVE LOANS FROM THE CLEAN WATER FUND, SOME CITIES MAY NOT FIND THE PROGRAM ATTRACTIVE OR FINANCIALLY FEASIBLE DUE TO THE FEDERAL ADMINISTRATIVE AND ACCOUNTING REQUIREMENTS.

CONCLUSION

ANY INCORPORATED CITY OR MUNICIPALITY, GENERAL OR HOMERULE, IS ELIGIBLE BY DEFINITION TO RECIEVE A LOAN FROM THE ALASKA CLEAN WATER FUND.

3-17-87

515161

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

FED F.Y.	FED SEED GRANT	STATE MATCH	TOTAL
88	\$10,895,400	\$2,179,080	\$13,074,480
89	\$10,763,600	\$2,152,720	\$12,916,320
90	\$11,263,600	\$2,252,720	\$13,516,320
91	\$14,527,200	\$2,905,440	\$17,432,640
92	\$10,895,400	\$2,179,080	\$13,074,480
93	\$7,263,600	\$1,452,720	\$8,716,320
94	\$3,631,800	\$726,360	\$4,358,160
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

47 107 100 SHEETS
MILWAUKEE

CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

1987	1988	1989	1990	1991	1992	1993	1994	1995
July	July	July	July	July	July	July	July	July
SFY 88	SFY 89	SFY 90	SFY 91	SFY 92	SFY 93	SFY 94		

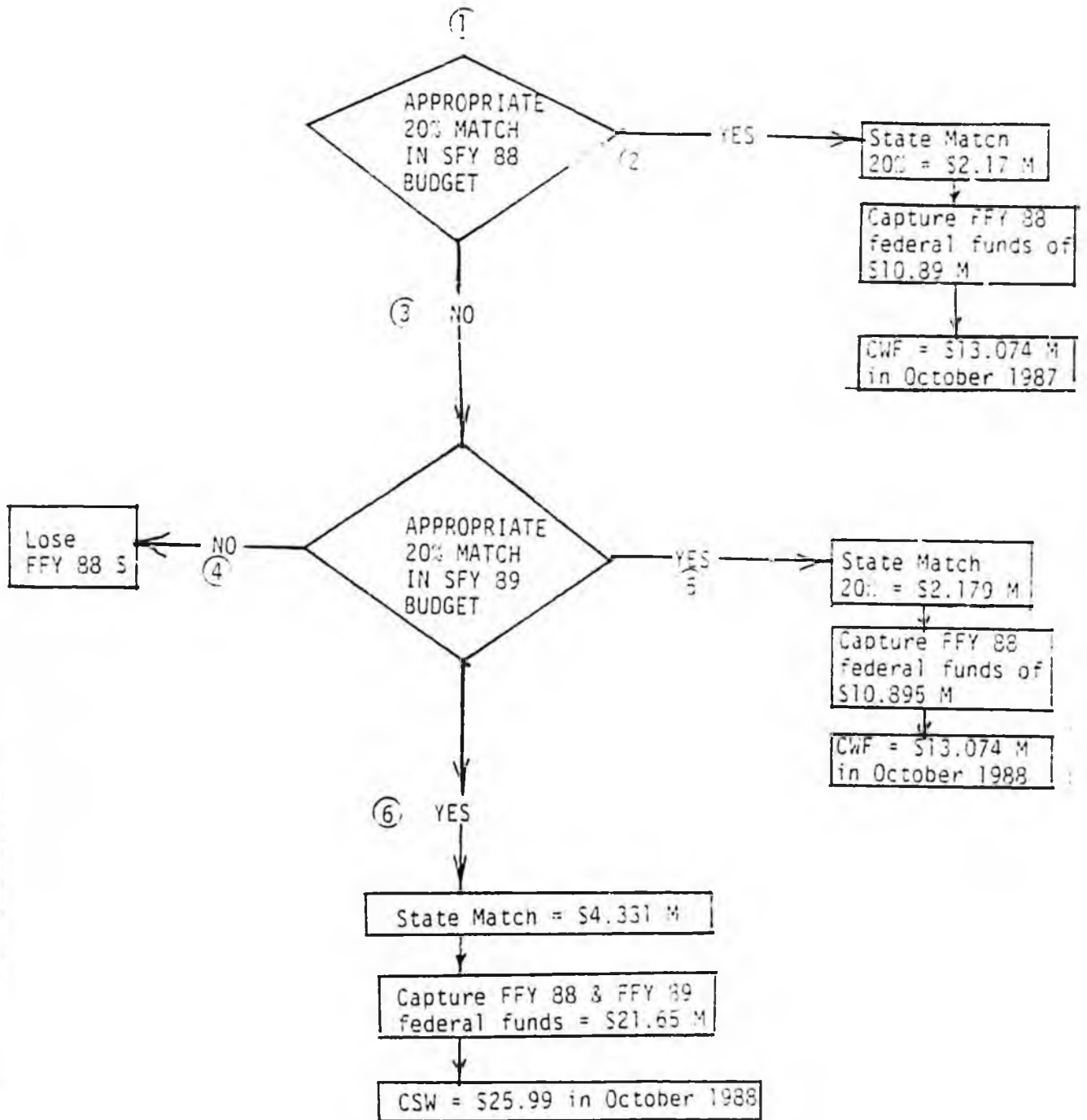
Oct	Oct	Oct	Oct	Oct	Oct	Oct	Oct
FFY 88	FFY 89	FFY 90	FFY 91	FFY 92	FFY 93	FFY 94	
\$ 10.89 M	\$ 10.76 M	\$ 11.26 M	\$ 14.53 M	\$ 10.89 M	\$ 7.26 M	\$ 3.65 M	

3-17-87

SB 167

STATE MATCH DECISION TREE

Note: SFY=State Fiscal year
FFY=Federal Fiscal year



SUMMARY
TITLE VI
STATE WATER POLLUTION CONTROL REVOLVING FUNDS
1987 AMENDMENTS TO CLEAN WATER ACT
March 19, 1987

Sec 601 - GENERAL AUTHORITY

- a) Administrator (EPA) shall make capitalization grants to each state for a water pollution control revolving fund for
 - 1. Construction of treatment works
 - 2. Management program under Sec 391
 - 3. Management program under Sec 320

- b) Establish a schedule of payments based on State's intended use plan.

Sec 602 - CAPITALIZATION GRANT AGREEMENTS

- a) State shall enter into agreement with EPA administrator.

- b)
 - 1. Establish payment schedule and deposit all payments in the revolving fund.

 - 2. State 20 percent match on or before quarterly payment.

 - 3. State must enter binding commitments to provide assistance within one year of receipt of grants.

 - 4. Funds will be expended in an expeditious and timely manner.

 - 5. Funds will be used to first assure progress toward enforceable deadlines, goals, and requirements of this Act, including municipal compliance deadlines.

6. Projects constructed before year 1995 will meet Title II of the Act [see attached summary].
7. Expend in accordance with laws and procedures applicable to State.
8. Use accounting, audit, and fiscal procedures generally accepted government standards.
9. State will require recipient's records to meet generally accepted government standards.
10. State will make annual reports to EPA administrator.

Sec 603 - WATER POLLUTION CONTROL REVOLVING LOAN FUNDS

- a) First establish a revolving fund complying with this section.
- b) Fund will be administered by an instrumentality of the State, with powers to operate fund in accordance with the Act.
- c) Projects eligible for assistance
 1. To any municipality, intermunicipal, interstate, or State agency for construction of publically owned treatment works
 2. Sec 319 implementation
 3. Sec 320 implementation

d) Types of Assistance

1. Loans on the condition that
 - A) At or below market interest rate, not to exceed 20 years.
 - B) Annual principal and interest will commence not later than one year and will be amortized not later than 20 years.
 - C) Receipts will establish a dedicated source of revenue for repayment of loans; and
 - D) Funds will be credited with all payments.
2. Buy or refinance loan debt where obligations incurred after March 7, 1988.
3. Guarantee or purchase insurance for local obligations when it improves market access or reduce interest rates.
4. As a source of revenue or surity for revenue or general obligation bonds
5. To provide loan guarantees
6. To earn interest
7. For administering funds not to exceed 4 percent

g) Priority list requirements

1. Must be on list developed under Sec 216
2. Regardless of the ranking on list

Sec 604 - ALLOTMENT OF FUNDS

- b) one percent, or \$100,000, for Sec 205(j) and 303(e)
- c) 1. Period of availability for grant award during fiscal year authorized and following year
- 2. Reallocation of unobligated funds
 - A. Administrator (EPA) will reallocate if not obligated at end of second year.
 - B. No funds if State has not obligated within first year.

Sec 605 - CORRECTIVE ACTION

Sec 606 - AUDITS, REPORTS, AND FISCAL CONTROLS

- a) Establish fiscal controls
- b) Annual federal audit
- c) Intended use plan
 - 1. List of projects
 - 2. Long and short-term goals, objectives
 - 3. Information on activities, project categories, discharge requirements under Title III and IV of the Act, terms of financial assistance, and communities served.
 - 4. Assurances and specific proposal for meeting requirements 3, 4, 5, and 6 of Sec 602(b).
 - 5. Criteria and method established for distribution of funds

d) Annual report

e) Annual federal oversight review

Sec 607 - AUTHORIZATION OF APPROPRIATIONS

1.	\$1.2 billion	1989 and 1990
2.	2.4 billion	1991
3.	1.8 billion	1992
4.	1.2 billion	1993
5.	0.6 billion	1994

1. Can we use 50 percent of construction grant in 1986 and 1987,
and 70 percent in 1988

2. Notice Requirement

A) In 1987, no later than 90 days after Act is enacted

B) Other years, 90 days before fiscal year start

SUMMARY OF REVOLVING LOAN FUND TITLE II REQUIREMENTS

I. ELIGIBILITY RELATED PROVISIONS.

1. 201(b). Must Use Best Practicable Waste Treatment Technology.
2. 201(g)(1). Must be secondary treatment or more stringent or any cost effective alternative for the following categories:
 - new interceptors
 - I/I correction
 - Other categories determined by governor
3. 201(n)(1). Can use funds for combined sewer overflows.
4. 201(o). Encouraged to file a capital financing plan that
 - projects future requirements for ≥ 10 years.
 - projects nature, extent, costs, timing of future expansions.
 - sets forth financing plans for future expansions.
5. 211. No collectors unless
 - replacement/major rehab or existing systems necessary for total system integrity or;
 - new collectors in existing community with sufficient existing or planned capacity for treatment.

II. APPLICATION RELATED PROVISIONS.

1. 201(g)(2). Applicant must:
 - evaluate alternative waste treatment technology.
 - allow for application of later technology to provide for reclaiming/recycling of water.
2. 201(g)(3). Applicant must show that sewer collection system doesn't have excessive infiltration.
3. 201(g)(5). Applicant must study/evaluate
 - innovative/alternative technology.
 - reclamation reuse of water or elimination of discharge.
 - land treatment.
 - low energy usage systems.
4. 201(g)(6). Applicant must analyze open space and recreational opportunities.
5. 204(a)(1). Before approving grants, Administrator shall determine that treatment works are included in any applicable 208 plan.
6. 204(a)(2). Before approving grants, Administrator shall determine that treatment works are included in any applicable 303(e) plan.
7. 204(b)(2). Applicant must:
 - adopt a user charge system
 - demonstrate legal, managerial, & financial capability to construct/operate/maintain the treatment works.
8. 218. The applicant must
 - show the cost effective solution in the facility plan
 - use value engineering for high cost projects.
9. 511(c)(1). Projects are subject to NEPA.

III. CONSTRUCTION RELATED PROVISIONS.

1. 204(d)(2). Grantee must provide one year performance
 - certification.
2. 513. Project is subject to Davis-Bacon wage rates.

STATE OF ALASKA
THE LEGISLATURE

INDUHY STATE CAPITOL
BUREAU ALASKA 99511
907 465 1800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 27, 1987

SUBJECT: Dedication of funds to clean water fund by
SB 167 (Grants for water supply, sewage and
solid waste facilities)

TO: Senator Rick Halford

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have asked whether the Alaska clean water loan fund created by SB 167 violates the constitutional prohibition against the dedication of state funds for a special purpose. You have provided me with a copy of Title VI (State Water Pollution Control Revolving Funds) of P.L. 100-4, amending the Federal Water Pollution Control Act (33 U.S.C. 1251 - 1376), commonly known as the Clean Water Act.

The Alaska Constitution, Article IX, Section 7, permits the state to dedicate funds "when required by the federal government for participation in federal programs." The question then is whether SB 167 creates a dedicated fund in order to participate in a federal program and whether the state program is not more extensive than the federal requirements. In my opinion, the bill complies with the requirements of the exception for a federal program.

The recent amendments to the federal Clean Water Act require that states establish revolving loan funds that meet certain standards in order to be eligible to participate in the capitalization grants. The state must establish a separate fund consisting of federal capitalization grant payments (Sec. 602(b)(1)), the required state matching funds (Sec. 602(b)(2)), loan repayments including interest (Sec. 603(d)(1)(D)), and interest earned on fund accounts (Sec. 603(d)(6)). As long as the state does not deposit more than the required state match in the fund, contributions specified in the bill should be exempt from the prohibition against dedicated funds.

1. INFLATION RATE: 4.6%
2. INTEREST ON INVESTMENTS: 9.2%
3. REVENUE BOND (per AK Bond Bank)
= 7.3%
- ∴ INTEREST first 7 yrs on
loans = 4.3% (2/3)
- ∴ INTEREST THEREAFTER = 0.12%
4. 20 yr AMORTIZATION PERIOD

3-31-87

****SIRF FULL 30 YEAR REPORT****	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SOURCES OF FUNDS					
BEGINNING BALANCE		12,499,503	12,884,879	15,298,204	21,337,390
CAPITALIZATION					
Current	\$13,074,480	12,916,320	13,515,320	17,432,540	13,074,480
Cumulative	\$13,074,480	25,990,800	39,507,120	56,939,750	70,014,240
BONDS ISSUED					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
LOAN ACTIVITY*					
LOAN REPAYMENTS					
Current	\$0	0	377,329	1,902,889	2,872,728
Cumulative	\$0	0	377,329	2,380,818	5,753,545
LOAN DEFAULTS					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
NET LOAN REPAYMENTS					
Current	\$0	0	377,329	1,902,889	2,872,728
Cumulative	\$0	0	377,329	2,380,818	5,753,545
INVESTED FUNDS	\$13,074,480	12,341,343	14,462,007	20,917,213	20,351,658
Interest Rate for Invested Funds	3.20%	3.20%	3.20%	3.20%	3.20%
Interest on Invested Funds	\$0	\$1,135,404	\$1,330,505	\$1,324,384	\$1,872,353
TOTAL SOURCES OF FUNDS					
Current	\$13,074,480	26,551,225	28,788,832	36,357,917	39,556,551
Cumulative	\$13,074,480	39,625,706	58,334,538	104,692,455	144,349,106
USES OF FUNDS					
BOND RETIREMENT					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
TOTAL BOND INSURANCE FEE	\$0	0	0	0	0
—LOAN ACTIVITY—					
LOANS MADE					
Current	\$0	13,074,480	12,366,320	12,366,320	16,882,540
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,750
GRANTS MADE					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	\$0	13,074,480	12,366,320	12,366,320	16,882,540
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,750
ADMINISTRATIVE/OPERATIONAL COSTS	\$0	\$0	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	\$0	13,074,480	12,916,320	13,515,320	17,432,540
Cumulative	\$0	13,074,480	25,990,800	39,507,120	56,939,750
****FUND BALANCE**** (END OF YEAR)	\$13,074,480	\$13,476,746	\$15,792,512	\$22,941,597	\$22,224,811
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	\$12,499,503	12,384,879	15,298,204	21,337,390	21,246,554

SIRF FULL 30 YEAR REPORT

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
SOURCES OF FUNDS					
BEGINNING BALANCE	21,246,664	21,348,572	20,440,344	15,193,325	10,588,311
CAPITALIZATION					
Current	3,715,320	4,358,160	0	0	0
Cumulative	78,730,550	33,888,720	83,298,720	83,888,720	83,888,720
BONDS ISSUED					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
LOAN ACTIVITY*					
LOAN REPAYMENTS					
Current	4,132,494	5,872,285	5,313,748	5,344,724	7,775,700
Cumulative	3,689,340	14,361,325	20,375,873	27,719,797	35,495,497
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	4,132,494	5,872,285	5,313,748	5,344,724	7,775,700
Cumulative	3,689,340	14,361,325	20,375,873	27,719,797	35,495,497
INVESTED FUNDS	21,823,399	19,579,817	14,553,792	10,238,558	6,664,511
Interest Rate for Invested Funds	3.28%	3.28%	3.28%	3.28%	3.28%
Interest on Invested Funds	\$1,334,288	\$1,301,270	\$1,338,949	\$541,347	\$612,135
TOTAL SOURCES OF FUNDS					
Current	36,832,686	33,130,286	27,692,741	22,380,496	19,377,646
Cumulative	180,381,732	213,562,379	241,254,320	254,235,316	293,312,662
USES OF FUNDS					
BOND RETIREMENT					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL BOND INSURANCE FEE	0	0	0	0	0
—LOAN ACTIVITY—					
LOANS MADE					
Current	12,524,480	11,250,300	11,250,300	11,250,300	11,250,300
Cumulative	57,314,240	79,264,240	90,314,240	101,564,240	112,314,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	12,524,480	11,250,300	11,250,300	11,250,300	11,250,300
Cumulative	57,314,240	79,264,240	90,314,240	101,564,240	112,314,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	13,074,460	11,800,300	11,800,300	11,800,300	11,800,300
Cumulative	70,314,240	91,314,240	93,814,240	105,414,240	117,214,240
FUND BALANCE (END OF YEAR)	\$22,358,296	\$21,380,286	\$15,392,741	\$11,180,495	\$7,277,646
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.68%	4.68%	4.68%	4.68%	4.68%
CONSTANT DOLLARS	21,348,572	20,440,344	15,193,325	10,588,311	6,357,597

*****SIRF FULL 20 YEAR REPORT*****

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
SOURCES OF FUNDS					
BEGINNING BALANCE	6,957,597	4,234,212	1,954,184	754,599	474,178
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	93,088,720	83,088,720	93,088,720	83,088,720	93,088,720
BONDS ISSUED					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
LOAN ACTIVITY+					
LOAN REPAYMENTS					
Current	8,706,676	3,637,652	10,568,628	11,499,604	12,430,580
Cumulative	44,202,173	53,839,825	64,408,454	75,908,058	88,338,639
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	8,706,676	3,637,652	10,568,628	11,499,604	12,430,580
Cumulative	44,202,173	53,839,825	64,408,454	75,908,058	88,338,639
INVESTED FUNDS	3,964,273	1,871,915	722,812	454,204	1,184,759
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$355,513	\$172,212	\$66,499	\$41,787	\$101,638
TOTAL SOURCES OF FUNDS					
Current	16,019,786	13,844,076	12,589,311	12,295,990	13,006,396
Cumulative	299,332,748	313,176,324	325,766,135	338,062,125	351,068,522
USES OF FUNDS					
BOND RETIREMENT					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL BOND INSURANCE FEE	0	0	0	0	0
LOAN ACTIVITY-					
LOANS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	124,064,240	135,314,240	146,564,240	157,814,240	169,064,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	124,064,240	135,314,240	146,564,240	157,814,240	169,064,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	11,800,000	11,800,000	11,800,000	11,800,000	11,800,000
Cumulative	129,014,240	140,814,240	152,614,240	164,414,240	176,214,240
****FUND BALANCE**** (END OF YEAR)	\$4,219,786	\$2,344,076	\$789,311	\$495,990	\$1,206,396
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	4,234,212	1,954,184	754,599	474,178	1,153,343

*****SIRF FULL 20 YEAR REPORT*****

	YEAR 15	YEAR 17	YEAR 18	YEAR 19	YEAR 20
SOURCES OF FUNDS					
BEGINNING BALANCE	1,153,343	2,334,292	5,561,083	9,379,708	14,338,182
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	33,888,720	33,888,720	33,888,720	33,888,720	33,888,720
BONDS ISSUED					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
LOAN ACTIVITY*					
LOAN REPAYMENTS					
Current	13,361,557	14,292,533	15,223,509	16,154,485	17,085,461
Cumulative	101,700,195	115,392,729	131,216,237	147,370,721	164,456,182
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	13,361,557	14,292,533	15,223,509	16,154,485	17,085,461
Cumulative	101,700,195	115,392,729	131,216,237	147,370,721	164,456,182
INVESTED FUNDS	2,714,399	5,325,325	9,304,592	13,734,132	19,623,642
Interest Rate for Invested Funds	3.20%	3.20%	3.20%	3.20%	3.20%
Interest on Invested Funds	\$249,771	\$490,368	\$825,582	\$1,253,546	1,805,370
TOTAL SOURCES OF FUNDS					
Current	14,754,670	17,615,393	21,511,174	26,797,738	33,229,317
Cumulative	365,333,192	383,450,304	405,061,259	431,358,396	463,888,314
USES OF FUNDS					
BOND RETIREMENT					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL BOND INSURANCE FEE	0	0	0	0	0
—LOAN ACTIVITY—					
LOANS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	100,314,240	191,564,240	202,314,240	214,064,240	225,314,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	11,250,000	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	100,314,240	191,564,240	202,314,240	214,064,240	225,314,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	11,800,000	11,800,000	11,800,000	11,800,000	11,800,000
Cumulative	106,814,240	193,314,240	211,614,240	223,414,240	235,314,240
FUND BALANCE (END OF YEAR)	\$2,554,670	\$5,316,393	\$9,311,174	\$14,297,738	\$21,429,317
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.50%	4.50%	4.50%	4.50%	4.50%
CONSTANT DOLLARS	2,334,292	5,561,083	9,379,708	14,338,182	20,486,532

5-0803B
Cramer
5/2/87

Original sponsors: Halford and Sturgulewski

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 167 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to grants for water supply, sewage,
7 and solid waste facilities; establishing a revolving
8 loan fund; and providing for an effective date."

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

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

11 (c) There is a wat. quality enhancement program and [,] water
12 supply, sewage [SEWERAGE], and solid waste facilities fund created in
13 the department to carry out the purposes of this section.

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

15 (d) The department shall, by regulation, identify those costs
16 that [WHICH] are eligible costs for the purposes of this section.
17 Eligible costs include the costs established in a construction con-
18 tract which are necessary for construction of a project, but do not
19 include the cost of interest and financing and right-of-way acquisi-
20 tion, or costs related to operation, maintenance, or repair [OR RE-
21 PLACEMENT] of a project.

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

23 (e) The department may grant to a municipality not more than 50
24 percent of the eligible costs that [, INCLUDING COSTS OF OBTAINING
25 FEDERAL WAIVERS FROM THE REQUIREMENT FOR SECONDARY TREATMENT PLANTS,
26 WHICH] are not paid for by the federal government for solid waste
27 processing or disposal facilities constructed after July 1, 1980.
28 However, the department may grant a municipality up to 60 percent of
29 the eligible costs not paid for by the federal government for a solid

1 waste processing or disposal facility constructed after July 1, 1980,
2 if the facility is used for resource recovery. The eligible costs of
3 a solid waste processing or disposal facility are determined by the
4 federal agency granting the most monetary assistance for construction
5 of the facility. For a solid waste processing or disposal facility
6 for which federal money is not available, the department shall de-
7 mine the eligible costs in accordance with (d) of this section. A
8 municipality shall construct solid waste processing or disposal facil-
9 ities financed by grants under this section according to plans and
10 specifications approved by the department.

11 * Sec. 4. AS 46.03 is amended by adding a new section to read:

12 Sec. 46.03.032. ALASKA CLEAN WATER FUND. (a) There is estab-
13 lished as a separate fund the Alaska clean water fund, which is dis-
14 tinct from any other money or fund in the treasury, and which consists
15 of money appropriated by the legislature to meet federal matching
16 requirements, federal capitalization grants, loan repayments, interest
17 received from loan repayments, and interest received from investment
18 of money in the clean water fund.

19 (b) The department shall administer the Alaska clean water fund.

20 (c) The department may accept and make use of all capitalization
21 grants provided by the federal government under the federal Clean
22 Water Act, as amended by P.L. 100-4.

23 (d) Except as otherwise limited by federal law, the Alaska clean
24 water fund may be used for the following:

25 (1) buying or refinancing treatment works debt obligations
26 of municipalities;

27 (2) planning, designing, building, constructing, and re-
28 habilitating facilities associated with public sewage collection,
29 treatment, and discharge facilities;

1 (3) constructing, equipping, modifying, improving, and
2 expanding public water supply, treatment, and distribution systems;

3 (4) guaranteeing or purchasing insurance for public agency
4 obligations related to treatment works construction.

5 (e) Repayment of loans must be secured in a manner that the
6 department determines is feasible to assure prompt repayment under a
7 loan agreement entered into with the borrower.

8 (f) The department may spend money from the fund to pay the
9 costs of administering the fund.

10 (g) A municipality wishing to borrow money from the fund must
11 demonstrate to the satisfaction of the department,

12 (1) sufficient legal authority to incur the debt for which
13 it is applying; and

14 (2) that it will establish and maintain a dedicated source
15 of revenue or other acceptable revenue source for repayment of the
16 loan.

17 (h) Allocation of Alaska clean water fund loans must be made in
18 accordance with the priority list developed by the department, using
19 criteria specified in regulations adopted by the department.

20 (i) Before making a loan from the Alaska clean water fund, the
21 department shall, by regulation, specify

22 (1) standards for the eligibility of borrowers and the type
23 of projects to be financed with loans;

24 (2) loan term and interest rate policies for loans made
25 from the fund;

26 (3) standards regarding the technical and economic viabili-
27 ty and revenue self-sufficiency of eligible projects;

28 (4) collateral or other security required for loans;

29 (5) terms of loans; and

1 (6) other relevant criteria, standards, or procedures.

2 (j) A loan made by the department must be made according to the
3 standards, criteria, and procedures established by regulations under
4 this section.

5 (k) The department shall prepare reports required by the federal
6 government in conjunction with federal capitalization grant award
7 conditions. The department shall also provide the Alaska legislature
8 with an annual report on the Alaska clean water fund on or before the
9 first day of each legislative session.

10 (l) Except as provided in (n) of this section, loan repayments
11 and interest earned by loans from the Alaska clean water fund must be
12 deposited in the fund.

13 (m) Annual principal payments must commence within one year
14 after project completion, or within two years after the date the loan
15 is made, whichever is earlier.

16 (n) State appropriations in excess of the amount required by the
17 federal Clean Water Act, as amended by P.L. 100-4, shall be accounted
18 for separately. Repayments of principal from loans made from these
19 amounts shall be deposited in the Alaska clean water fund. Repayments
20 of interest from loans made from these amounts and earnings on these
21 amounts shall be deposited in the general fund. The commissioner of
22 administration shall separately account for the interest repayments
23 and earnings that the Department of Environmental Conservation de-
24 posits in the general fund.

25 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
26
27
28
29