

SB

167

February 4, 1987

ISSUE ANALYSIS

STATE MATCHING FOR REVOLVING LOAN FUND

ISSUE: Should the Department of Environmental Conservation pursue an appropriation in the FY88 budget to match a federal capitalization grant?

INTRODUCTION

With reauthorization of the Clean Water Act, federal money will be available to Alaska for a State Revolving Loan Fund. One requirement for receiving the federal money is that it be matched with 20% State funds. The fund capitalization would be as presented in Table 1 and Figure 2 (attached).

Because the federal fiscal year (FFY) runs from October 1 through September 30, it spans two state fiscal years (SFY). FFY88 will be the first year that Alaska will request a capitalization grant; therefore, a decision needs to be made on whether to seek funding for the State match in the SFY88 budget.

SFY88 APPROPRIATION?

YES

- Easier to explain: As a bill passes through legislative committees it will be very easy to explain a fiscal note that shows capitalizing the funds in the same year the federal money is available. If there is no need for any money in SFY88, one might ask "...why should this bill pass this session."
- Interest: By capitalizing the loan fund in SFY88, the fund will accumulate interest for one year (approximately \$650,000). This has the advantage of providing for administrative expenses from money already made. The administrative costs would be forward funded.
- Less Risk: If the bill and appropriation do not pass this session, there will be another opportunity to capture the \$10.89 million in federal funds. However, if no attempt is made this session, there will only be one opportunity, and the \$10.89 million could be lost.
- Less Needed in SFY89: If a match is requested in SFY88, \$2.18 would be needed. However, if the match was delayed until SFY89, the match for two years would be needed, or \$4.33.

NO

- State Financial Crisis: Because the State is having to deal with declining revenues and a deficit, there will be less funds to go around.

RECOMMENDATION

It is recommended the Department pursue funding in the FY88 budget to match the federal capitalization grant.

THE CONSTRUCTION GRANTS PROGRAM

THE CLEAN WATER ACT, PASSED IN 1977, PROVIDED FOR FEDERAL GRANTS TO COMMUNITIES FOR THE CONSTRUCTION OF WASTEWATER TREATMENT FACILITIES. TO DATE, TWENTY-FOUR ALASKAN MUNICIPALITIES AND CITIES HAVE RECEIVED A TOTAL OF \$160,223,258 IN FEDERAL GRANTS FOR WASTEWATER FACILITY CONSTRUCTION. IN 1979 THE CONSTRUCTION GRANTS SECTION OF THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION ASSUMED DELEGATION OF ADMINISTRATIVE AND TECHNICAL FUNCTIONS ASSOCIATED WITH THE GRANTS PROGRAM.

REAUTHORIZATION OF THE CLEAN WATER ACT

THE CLEAN WATER ACT PROVIDED FOR FEDERAL CONSTRUCTION GRANTS FROM 1977 TO 1985. THIS YEAR CONGRESS INTRODUCED A REAUTHORIZATION OF THE ACT WHICH NOT ONLY AMENDS DATES AND FUNDING LEVELS BUT ALSO PROVIDES FOR A PHASE OUT OF THE CONSTRUCTION GRANTS PROGRAM AND A PHASE IN OF A REVOLVING LOAN PROGRAM.

FUNDING: FEDERAL GRANTS AND 20 PERCENT STATE MATCHING FUNDS WILL PROVIDE THE INITIAL REVENUE FOR THE FUND.

<u>FEDERAL FISCAL YEAR</u>	<u>FEDERAL GRANT</u>	<u>REQUIRED STATE MATCH</u>	<u>TOTAL</u>
1988	\$10,895,400	\$2,179,080	\$13,074,480
1989	\$10,763,600	\$2,152,720	\$13,516,320
1990	\$11,263,600	\$2,252,720	\$13,516,320
1991	\$14,527,200	\$2,905,440	\$17,432,640
1992	\$10,895,400	\$2,179,080	\$13,074,480
1993	\$ 7,263,600	\$1,452,720	\$ 8,716,320
1994	\$ 3,631,800	\$ 726,360	\$ 4,358,160
TOTALS	\$69,240,600	\$13,848,120	\$83,088,720

AFTER THE FIRST SEVEN YEARS OF THE FUNDS OPERATION, INPUT OF FEDERAL GRANTS WILL CEASE. THE FUND WILL, HOWEVER, CONTINUE TO REJUVENATE ITSELF. AS COMMUNITIES MAKE PAYMENTS ON BOTH THE PRINCIPAL AND INTEREST OF THEIR LOANS, NEW LOANS WILL BE MADE. IF AN INTEREST RATE OF 5% IS CHARGED, A LOANING CAPACITY OF \$10.75 MILLION PER YEAR CAN BE OBTAINED BEGINNING THE THIRD YEAR THE FUND IS IN OPERATION. THIS IS WITHOUT ADDITIONAL LEGISLATIVE APPROPRIATION AFTER 1994. IN ADDITION, BY INVESTING FUNDS WHICH ARE NOT CURRENTLY BEING LOANED IN SHORT TERM ENDEAVORS (e.g. U.S. TREASURY BILLS) THE SIZE OF THE FUND WILL SLOWLY INCREASE AND ENHANCE LOANING CAPACITY.

TYPES OF ASSISTANCE: OPTIONS INCLUDE LOW INTEREST LOANS, BOND INSURANCE, INTEREST SUBSIDIES OR BOND GUARANTEES. ALL LOANS WILL BE MADE AT AN INTEREST RATE BELOW THE MARKET RATE AND MAY BE ISSUED FOR UP TO 100% OF ALL ELIGIBLE COSTS ASSOCIATED WITH PROJECT CONSTRUCTION.

IMMEDIATE LEGISLATIVE ACTION NEEDED: IT WILL TAKE SEVERAL MONTHS TO DRAFT REQUIRED REGULATIONS, DEVELOP DETAILED PLANS FOR IMPLEMENTING THE PROGRAM AND OBTAIN EPA APPROVAL FOR IMPLEMENTATION. STATE LEGISLATION AUTHORIZING THE ALASKA CLEAN WATER FUND MUST BE ENACTED THIS LEGISLATIVE SESSION OR THE STATE COULD LOSE UP TO \$10.895 MILLION IN FEDERAL FUNDS FOR FFY 88.

THE ALASKA CLEAN WATER FUND

BY ESTABLISHING THE ALASKA CLEAN WATER FUND AND PROVIDING 20% MATCHING GRANTS TO THE FUND, THE STATE WILL CAPTURE APPROXIMATELY \$69,240,600 IN ANNUAL FEDERAL CAPITALIZATION GRANTS. ALASKA'S SHARE OF THE FEDERAL ALLOTMENT IS AS FOLLOWS:

<u>FED. FISCAL YR</u>	<u>FEDERAL</u>	<u>REQ. STATE MATCH</u>	<u>TOTAL</u>
1988	\$10,895,400	\$ 2,179,080	\$13,074,480
1989	10,763,600	2,152,720	12,916,320
1990	11,263,600	2,252,720	13,516,320
1991	14,527,200	2,905,440	17,432,640
1992	10,895,400	2,179,080	13,074,480
1993	7,262,600	1,452,720	8,716,320
1994	<u>3,631,800</u>	<u>726,360</u>	<u>4,358,160</u>
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

IT WILL TAKE SEVERAL MONTHS TO DRAFT REQUIRED REGULATIONS, DEVELOP DETAILED PLANS FOR IMPLEMENTING THE PROGRAM AND OBTAIN FEDERAL APPROVAL. IF ALASKA IS TO RECEIVE FFY 88 FUNDS FEDERAL APPROVAL OF THE PROGRAM MUST BE SOUGHT PRIOR TO OCTOBER 1, 1987. HB.. MUST PASS THIS LEGISLATIVE SESSION AS A SINGLE SESSION DELAY COULD COST THE STATE \$10,895,400 IN FEDERAL FUNDS.

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 \$160,223,000 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, \$76,500,000 seed money from the Federal Government available to establish a revolving loan fund for wastewater treatment projects
- Requires 20% state match, for total of \$15,300,840
- 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

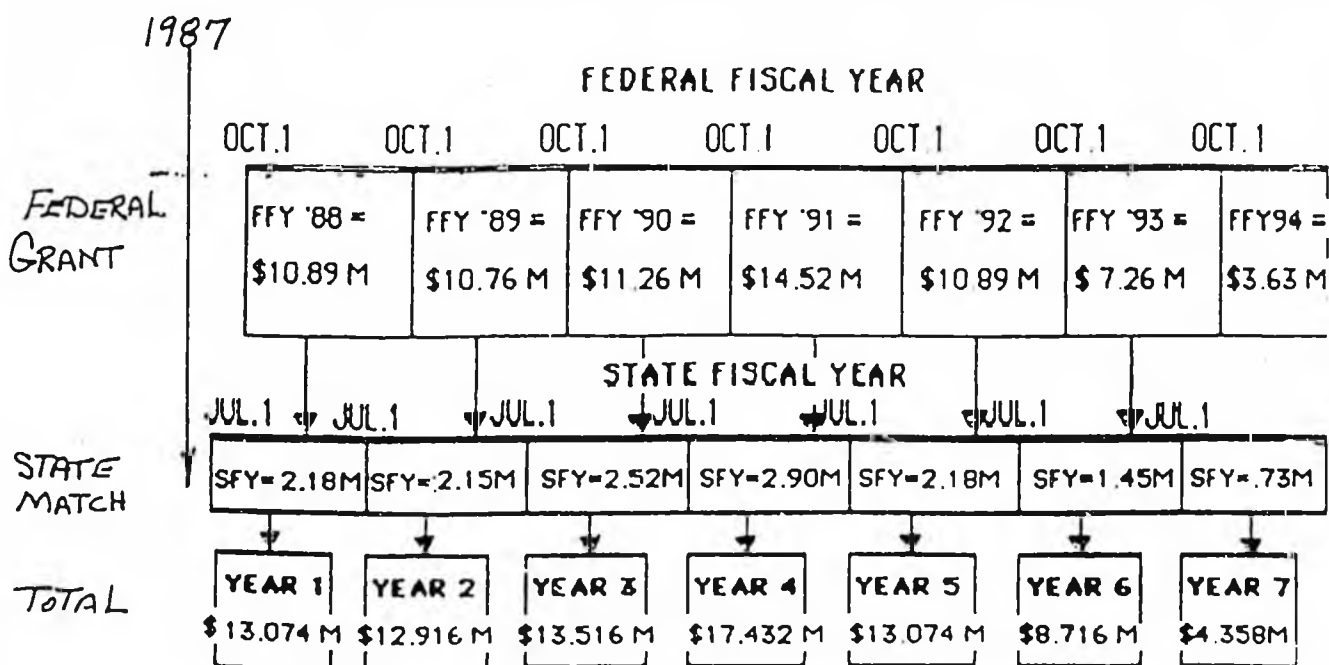
- The existing staff of The Facility Construction and Operation Division will be used for the loan program
- Administrative costs will come from loan fund
- Operation of the loan program will follow current federal construction grants procedures
- Projects selected by same process used in current federal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

TYPES OF ASSISTANCE

- Low interest rate loans
- Bond insurance
- Interest subsidies
- Bond Guarantees
- Refinancing of certain projects

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



SUMMARY

1. Funds Authorized for Construction Grants and State Revolving Loan Programs

o GRANTS \$2.4 billion annually for FY 86-88 Section 211/207
 \$1.2 billion annually for FY 89-90

o LOANS \$1.2 billion annually for FY 89-90 Section 212/607
 \$2.4 billion for FY 91
 \$1.8 billion for FY 92
 \$1.2 billion for FY 93
 \$.6 billion for FY 94

GRANTS TOTAL: \$9.6 billion LOANS TOTAL: \$8.4 billion (See next item)

o In FY 87, 50% of a State's grants allotment may be transferred to its revolving loan funds, 75% in FY 1988, and 100% in FY 89-90. (Sec. 212/606)

2. State Revolving Loan Programs

Federal capitalization of State revolving loan programs is authorized, with the State to provide at least 20% matching. The funds "resulting from" the capitalization grant (i.e., grant, 205m State discretionary deposit, match, and repayments) must first be used for the enforceable requirements of the Act, including the municipal compliance deadline. Of those funds, projects that receive assistance from an amount equal to the grant or 205m payment must meet enumerated Title II requirements, including limitations on eligible categories (i.e., Categories I, II, III(a), and IV(b) with 20% of the funds discretionary for other previously eligible categories and nonpoint source programs (319). Once the enforceable requirements are met, funds in excess of the Federal grants may be used for any project defined in Section 212 (Definitions), Section 319 (Nonpoint Sources) and Section 320 (National Estuary Programs). Types of assistance include loans, refinancing local debt obligations incurred after 3/7/85, guarantees or insurance for local obligations, and as a source of revenue or security for payment of principal and interest on State bonds where proceeds go to revolving funds (leveraging). Payments to States to be made quarterly within stated periods of time. Yearly audits are necessary. Annual oversight of State programs by EPA is required. (Sec 212 contains new Title VI for State revolving loan funds).

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: _____
Publish Date: _____

Revision Date: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

Sponsor: Governor Cowper

Components: _____

Requestor: _____

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
Division: Facility Construction & Operation

Phone: 465-2610
Date: 3/4/87

Approved by Commissioner: _____
Agency: Environmental Conservation

Date: March 5 1987

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Attachment 1

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	\$ <u>69,240,600</u>
		\$ 83,088,720

DEPARTMENT:

Environmental Conservation

DATE:

2-26-87

LAW LOG #

773-87-0027

RETURN TO GOVERNOR'S OFFICE BY:

3-6-87

Please indicate your recommendation regarding the final draft legislation affecting your department sent to you by the Department of Law. If you notice any changes you would like to make to the transmittal letter, major corrections, or issues to be addressed, list them below.

~~_____ Fiscal Note~~ sign this cover sheet and return to Candise Griffin, Office of the Governor, as soon as possible. Thank you.

RECOMMENDATION:

Approve hold, do not approve)

COMMENTS:

See attached changes to transmittal letter


Commissioner's Signature

March 5, 1987
Date

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.

~~Preliminary~~ - (16)
Will change

PRELIMINARY CONCEPT PAPER (2/3/87 DRAFT)
FOR IMPLEMENTATION OF TITLES II AND VI
OF THE WATER QUALITY ACT OF 1987

Only OMPC has seen
this so far

INTRODUCTION

A. Purpose of Concept Paper

This paper describes the Office of Municipal Pollution Control's (OMPC) interpretation of the recently enacted Water Quality Act of 1987, which amends the Federal Water Pollution Control Act. This interpretation is intended to provide the basis for the development of the implementing regulations. Prior to rulemaking, OMPC wishes to provide interested parties with the opportunity to review and respond to its interpretation of the amended construction grants program and the newly created capitalization grant option, whereby funds may be obligated to State Water Pollution Control Revolving Fund Programs.

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Comments should be addressed to H. William Kramer, U.S. Environmental Protection Agency, Office of Municipal Pollution Control (WH-546), 401 M Street, SW, Washington, D.C. 20460. In order to use these comments in rulemaking, OMPC must receive them by _____, 1987.

B. Contents of the Paper

Part I of this paper briefly reviews the history of the construction grants program and highlights changing trends. Part II describes the regulatory approach that OMPC is proposing to use in developing the rules necessary to implement the 1987 Amendments. Part III sets forth a tentative schedule for the promulgation of such rules. Part IV describes the concepts to be addressed in rulemaking.

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Legislative History of the Construction Grants Program

In 1972, Congress enacted amendments to the Federal Water Pollution Control Act of 1956 that provided for a strong federal role in the construction of publicly owned wastewater treatment works. The 1972 amendments, commonly referred to as the Clean Water Act, increased the amount of federal aid and expanded the federal grant share to 75 percent in an effort to increase the pace of wastewater treatment facility construction and eliminate a backlog of needed facilities. Congress has intended, however, that states and municipalities would eventually assume full responsibility for financing, building, operating, maintaining, and replacing their treatment facilities.

The shift of responsibility to State and local governments began in

The 1977 amendments to the Clean Water Act authorized the Environmental Protection Agency (EPA) to delegate most of its construction management functions to the States. The Federal role was further reduced in the 1981 Amendments, which cut the annual Federal authorization in half, reduced the Federal grant share, narrowed the eligible funding categories, and reduced the eligible treatment capacity to that required to meet existing needs.

The Water Quality Act of 1987, (the 1987 Amendments), sets forth a schedule and mechanism for completing the transition to full state and local responsibility. EPA's authority to allot funds to states for the

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award of grants to municipalities to construct wastewater treatment facilities is continued through fiscal year 1990. A new authority is created that allows EPA to make grants to capitalize State Water Pollution Control Revolving Funds (SRFs), the primary purpose of which will be to provide loans and other financial assistance to municipalities for the construction of wastewater treatment facilities. Beginning in FY 1987, States may exercise an option to use a portion of their annual construction grants allotments for the capitalization of SRFs. The last year in which funds will be appropriated for direct project funding through construction grants is 1990. Separate appropriations for SRF capitalization grants are authorized from fiscal year 1989 through fiscal year 1994. After FY 1994, the Federal role will no longer include financial assistance to States or municipalities for wastewater treatment facility construction. The States and municipalities will thereafter have the sole responsibility for providing financing to meet the enforceable requirements of the Act.

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I. REGULATORY APPROACH

A. Literal Interpretation

The 1987 Amendments set out the course EPA is to follow regarding the future of Federal financial assistance for wastewater treatment facility construction. The amendments to the existing construction grants program, found in Title II of the Act, as well as the SRF program requirements found in the newly created Title VI, are relatively straightforward. The legislative language is clear and detailed, and demands little additional interpretation. OMPC expects little difficulty in drafting implementing regulations that are in keeping with a strict and literal interpretation of the 1987 Amendments. However, where it is clearly in the interest of all concerned, rules will be amplified so that legislative intent can more readily be achieved.

B. Agency Rulemaking: Interim Final Rules

In order to permit States to make use of the funds authorized by the 1987 amendments as soon as possible, the Agency will publish interim final rules based on the comments received on this concept paper. This process is consistent with the Administrative Procedures Act (APA), which describes how Federal agencies are to conduct most rulemaking. The interim final rule will provide an additional opportunity for public

comment before the final rule is published. The interim final rule will also provide a basis for states and municipalities to make the necessary changes to their construction grants programs, establish SRF programs, or alter existing SRF programs, if necessary.

III. TENTATIVE SCHEDULE

The following schedule for issuing regulations assumes enactment on February __, 1987.

Interim Final Rule

Publication: February __, 1988.

Effective Date: __ days following the date of publication.

Final Rule

Publication: February __, 1990.

Effective Date: __ days following the date of publication.

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IV. INTERPRETATION OF THE WATER QUALITY ACT OF 1987

A. Summary

The following outlines EPA's interpretation of the Water Quality Act of 1987, Public Law 100-_____, and describes the amendments EPA expects to make to its regulations at 40 CFR 35 to reflect the 1987 Amendments. The amendments to Subpart J of 40 CFR 35 will update the construction grants program. A new Subpart K will be created to delineate the rules that EPA must follow in awarding capitalization grants to State Water Pollution Control Revolving Funds (SRFs) and the rules that the States must follow to receive the capitalization grants.

B. Supplementary Information

1. Legal Authority

The rule described herein will implement the 1987 Amendments by amending the existing construction grants regulation in Subpart J, whose statutory authority is Title II of the Clean Water Act, as amended, and by adding a new Subpart K to implement Title VI of the Clean Water Act as created by the 1987 Admendments.

2. Scope of this Rule

Amendments to Subpart I of this rule apply to all projects which, after the effective date of the interim final rule, receive a Title II construction grant for a municipal wastewater treatment facility. Subpart I applies to municipal grantees and is implemented by State construction grants program managers, where delegated, and by the Regional Administrator of the EPA where the program has not been delegated to the State. Therefore, Subpart I's audiences are recipients of construction grants at the municipal level and those responsible for administering the construction grant program at the state level.

Subpart K of this rule will apply to States with revolving fund programs that receive capitalization grants. Capitalization grants are awarded at the State program level, whereas construction grants are awarded at the municipal project level. Subpart K will describe the requirements that an SRF program must satisfy in order to receive a capitalization grant.

Subpart K will not regulate project level activities. Provisions in Title VI that address project requirements will be implemented by the States using Subpart I regulations where appropriate. However, through the general program review mechanisms provided for in Title VI, and discussed in more detail later in this paper, EPA will assure that the

states do, in fact, carry out statutory mandates pertaining to facilities funded for construction under the SRF program.

C. Description of Topics in Subparts

1. Subpart I - Amendments to the construction grants regulations

a. State Set-Asides

1. Section 205(g)

The authority for the set-asides for state management assistance grants is extended through fiscal year 1994. Congress intends to assure that such management funds will be available to delegated states for any project constructed with allotted, reallocated, and deobligated funds. The

2. Section 205(h)

The rural set-aside is extended through fiscal year 1990. This section requires rural states to maintain a set-aside of at least 4% of their allotment and is amended to allow any state to reserve up to 7.5% of their allotment to assist small communities in constructing alternative treatment facilities.

3. Section 205(i)

The authority for the innovative and alternative technologies set-aside is extended through fiscal year 1990. The 1987 Amendments provide new direction for the reallocation of the innovative and alternative technology set-aside. Funds set-aside for innovative and alternative technologies, but unobligated within the two year deadline will be awarded to the Small Flows Clearinghouse, which was established by the 1977 Amendments. The grant from these unobligated funds cannot exceed \$1 million annually. The Clearinghouse disseminates information and transfers technology regarding innovative and alternative technologies, provides information and advice on alternative financing and management options that will offer the most affordable options to small communities. The funds from this reallocation will enable the Clearinghouse to increase access to existing databases, prepare new training materials for both technological and administrative alternatives, and deliver training programs tailored to the needs of individual states.

4. Section 205(j)

Section 316(d) of the 1987 Amendments amends section 205(j) of the Act to create a new set-aside for the Nonpoint Source Pollution Management Programs developed under the new section 319. For each state, the greater of \$100,000 or one percent of the State's annual allotment is reserved, and the State is required to obligate the first \$100,000 of this amount

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annually for nonpoint source pollution management or forfeit the unobligated balance of that \$100,000 to reallocation. Reallocated funds shall be made available to States that are able to apply such funds to implement section 319. Where the reserve for any State exceeds \$100,000, that State is encouraged, although not required, to obligate the full amount for nonpoint source pollution management. However, funds in excess of the mandatory \$100,000 may be used by the State for other purposes under Title II of the Act.

In addition, section 316 amends 201(g)(1) to make eligible, under the Governor's 20 percent discretionary provision, grants for the development and implementation of non-point source management programs and demonstration projects (319(h)), and grants for protecting groundwater (319(i)). Regulations to implement these programs will be developed by the Office of Water Regulations and Standards and will not be discussed in further detail in this concept paper.

The nonpoint source management set-aside supplements funds authorized to be appropriated under new section 319(j) of the Act for developing and implementing approved nonpoint source management programs (the set-aside funds may also be used to develop such programs). Again, These funds will be administered under regulations to be developed by the Office of Water Regulations and Standards and will not be discussed in further detail in this concept paper.

5. Section 205(m)

Section 607(b) creates section 205(m) to allow, at the discretion of the State, the deposit of funds from the State's Title II allotment into the SRF for use as a Title VI capitalization grant. The amount of the Title II allotment that can be deposited is limited to 50 percent of the State's fiscal year 1987 allotment and 75 percent of the State's fiscal 1988 allotment. There is no limit on the amount of the deposit for subsequent years, except that the sums reserved for 205(j) can not be deposited into the SRF.

Each of these set-asides, and the SRF option exercised pursuant to section 205(m) for FY 1987 and 1988, will be calculated as percentages of the States' entire allotments.

b. National Reserves

Two new national reserves are established by the 1987 Amendments, providing funding for projects to abate combined sewer overflows (CSO) into marine bays and estuaries and for awarding construction grants to Indian Tribes. Unlike other reserves and the governor's discretionary authority, which are percentage amounts set aside from each State's allotment, or from each State's share of the authorization, by the State or the Regional Administrator, national reserves are amounts deducted by the EPA Administrator from the total appropriation, prior to allotment.

1. Marine CSO and Estuaries Reserve

The marine CSO and estuaries reserve is one percent of each appropriation prior to allotment in FY 87-88, and one and one half percent of each appropriation prior to allotment in FY 89-90. Two-thirds of the amount of the reserve shall be available to address water quality problems of marine bays and estuaries resulting from marine CSO discharges. The Agency intends to use existing regulations (35.2024(b)) and guidance to award funds set-aside from Funds appropriated after the effective date of the 1987 Amendments. Applications for grants from these funds must be submitted to the Regional Administrator by _____.

The remaining one-third of the marine CSO and estuaries reserve is to be used to supplement the funds available to the National Estuary Program under Section 320 of the Act. These funds are administered under regulations to be developed by the Office of Marine and Estuarine Protection and will not be discussed in further detail in these regulations. The National Estuary Program allows EPA to convene management conferences of interstate or international parties to develop comprehensive conservation and management plans which should recommend priority actions for the control of point and nonpoint sources of pollution. Up to ten percent of the funds available under section 320 may be used for administrative expenses; the balance is available for 75 percent grants to states and interstate or regional water pollution

control agencies to conduct research, monitoring, modeling, and other technical work necessary to develop conservation and management plans. Grant recipients must report to EPA eighteen months after they receive the grant and biennially thereafter. [INSERT REFERENCE TO REGS OR GUIDANCE TO BE DEVELOPED BY OMEP]

2. Grants to Indian Tribes

The second national reserve is for grants to be made to Indian tribes to build sewage treatment facilities. Within one year of enactment, EPA is required to assess the need for sewage treatment works to serve Indian tribes. Based on this needs study, EPA will develop a national priority list. Beginning in 1987(87), prior to allotment to states, 1/2 of 1 percent of the sums appropriated under section 207 will be reserved for grants for the development of waste treatment management plans and for the construction of sewage treatment works to serve Indian tribes. To ensure consistent implementation of the Act, tribes and states may enter into cooperative agreements to jointly plan and administer funding available under the set-aside.

The Act authorizes EPA to treat tribes as states for purposes of Title II and other sections of the Act, but only where the tribe has the necessary capability and authority to carry out the functions of the Act and applicable regulations. The 1987 Amendments require the Agency to promulgate, within 18 months, regulations to specify how Indian tribes

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will be treated as States. For the purposes of the construction grants program, the existing regulations at 40 CFR, Part 35, Subpart J that govern delegation agreements will apply.

Very few Indian Tribes are expected to request delegated authority to manage the construction grants program, in view of the anticipated phase-out of the construction grants program by 1990. For this reason, it will not be worthwhile to expend the time, effort and funds for EPA or the tribes to fully develop tribal technical and managerial capabilities to administer the program as the States do now. Instead, EPA's intention is to build on the existing relationships between the IHS and the tribes, as well as the IHS' organization and experience in the water pollution control field. The IHS would administer the set-aside through an agreement transferring the funding authority from EPA to the IHS.

An umbrella memorandum of understanding was entered into by EPA and the IHS in August 1986, which will be supplemented by a detailed description of the roles, responsibilities and authorities of the two agencies for implementing the program. Under this concept, the IHS would administer the Title II funds through its existing treatment works program. IHS regulations, which do not include all EPA requirements, would apply in the interest of program consistency and administrative efficiency.

Indian tribes are not eligible to participate as States in the SRF program, which would be authorized by the new Title VI of the Act.

c. Design/Build Projects

Upon promulgation of the interim final regulations, alternative "design-build" grant management procedures will become available to communities which plan to build aerated lagoons, trickling filters, stabilization ponds, land application systems, sand filters, or subsurface disposal systems. Design-build agreements permit a grantee planning to build a small treatment system to advertise one contract for both design and construction of a treatment works, thereby avoiding several review and bidding requirements. However, all other project requirements continue to apply. The use of design-build contracts are intended to reduce both the amount of time to complete the project and the cost of the project.

In order to be considered for these alternative procedures, a project must have an approved facility plan and an estimated cost under \$8 million. The agreement between the applicant and the Regional Administrator must provide for a specified Federal contribution, start and end dates for construction and effective project management procedures. It must also include a requirement that the applicant's contractor will post a bond to assure performance. The agreement and

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Grant award will be made after bids have been received on the basic design data and standard construction specifications.

The amount of grant funds obligated for design/build contracts cannot exceed 20 percent of a state's annual allotment.

d. Sunset Grandfathering

Phases or segments of projects which previously received a federal grant share of 75 percent, or 85 percent for innovative and alternative technologies, will no longer be eligible for that level of funding after October 1, 1990. On that date, the federal share for all projects will be no more than 55 percent, and no more than 75 percent for innovative and alternative technologies. Although there is no explicit language in the 1987 Amendments on the matter, it appears from language in the Report accompanying the Bill that the Conferees intend to eliminate funding for reserve capacity beginning in FY 1991. OMPC is seeking clarification of this issue.

e. Agreements On Eligible Costs

Section 203(a) requires that after the 60th day following enactment of the 1987 amendments (i.e., beginning on April __ 1987), all construction grants agreements include a written agreement on eligible costs that establishes and specifies which items of the proposed project

are eligible under the grant. The Agency may not later modify such eligibility determinations unless they are found to have been made in violation of applicable Federal statutes and regulations. Eligibility determinations shall not preclude the Agency from auditing a project or from withholding or recovering Federal funds for costs which are found to be unreasonable, unsupported by adequate documentation, or otherwise unallowable under applicable Federal cost principles, or are incurred on a project which fails to meet the design specifications or effluent limitations contained in the grant agreement and permit.

2. Subpart K - The State Revolving Fund Capitalization
Grant Program

a. Purpose

This new Subpart sets out the federal requirements associated with state revolving fund capitalization grant programs, which are authorized by Title VI of the Clean Water Act, as amended. Capitalization grants are to be awarded to states for deposit in State Water Pollution Control Revolving Funds (SRFs). From these funds the states shall provide loans and other types of financial assistance, but not grants, to local communities for the construction of publicly-owned wastewater treatment facilities, and for implementation of the new nonpoint source pollution control and estuary protection programs. The intent of Title VI is for

most of the financial assistance provided by the SRFs to be in the form of loans. The loan repayment stream will then provide a continuing source of capital for states to make available to local communities for water pollution control programs.

The new SRF capitalization grants program is fundamentally different from the established construction grants program. Whereas the construction grants program is federally designed, and is operated by states only after delegation of specific activities and responsibilities, the federal role in the capitalization grants program is limited to program-level grants-making and review. EPA does not envision direct federal involvement in projects. Each SRF is to be primarily state-designed and operated, with minimal federal requirements imposed on its structure.

b. General Eligibilities

In the first years of a SRF, the 1987 Amendments condition the use of SRF funds as described in this section. Once those conditions are satisfied, then funds in an SRF may be used to provide financial assistance for (1) the construction of publicly owned treatment works (as defined in Section 212 of the Act); (2) the implementation of nonpoint

source management programs established under Section 319 of the Act, and;
(3) development and implementation of estuary conservation and management plans under Section 320 of the Act.

1. All Funds - Timely Commitment

The most general of the conditions is that the State must agree to commit all of the funds in its SRF in a timely and expeditious manner, and that projects be consistent with plans, if any, developed under sections 205(j), 208, 303(e), 319, and 320. The Agency does not intend to specify in regulation what constitutes "timely and expeditious."

2. Funds as a Result of Capitalization Grants --

First Use for Enforceable Requirements

The second general condition requires that funds resulting from capitalization grants -- which include the federal contribution, the state match, and any proceeds from the investment or other use of these funds -- first be used to assure that treatment works maintain progress towards compliance with the enforceable goals of the Act.

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3. Funds Directly Made Available From Capitalization Grants --
Title II Limitations

The third general condition imposes additional limits on the use of a portion of the funds "as a result of" a capitalization grant. These additionally conditioned funds are those "directly made available" by capitalization grants or 205(m) deposits, by which is meant an amount equivalent to the grant or deposit. Projects funded in whole or in part by these "equivalency" funds must satisfy certain project requirements found in title II of the Act; these requirements are described in detail in the Capitalization Grant section. The Title II provisions that define eligibilities are:

section 201(g)(1) which limits assistance to projects for secondary treatment, advanced treatment, or any cost-effective alternative, new interceptors and appurtenances, and infiltration/inflow correction (this section also retains the 20 percent Governor's discretionary set-aside, which can be used to fund other projects within the definition of treatment works in section 212, and for certain non-point source control and groundwater protection purposes;

section 201(n)(1) which provides that funds under section 205 may be used to address water quality problems due to discharges of combined sewer overflows, which are not otherwise eligible.

if such discharges are a major priority in the state,

section 211 which provides that collectors are not eligible under the Governor's 20 percent discretionary provision unless the collector is needed to assure the total integrity of the treatment works or to assure that adequate capacity exists at the facility.

4. Set-Asides from Title VI Allotments

There are two set-asides from Title VI allotments, one for administering the grant supported SRF and one for planning. Up to 4 percent of a capitalization grant from funds allotted under title VI can be used to administer the SRF -- this is described in more detail in the section on State Administration. In addition, section 604(b) creates a reservation of funds for planning under 205(j) and 303(e) of 1 percent of the State's annual allotment or \$100,000 whichever is greater.

c. Types of Assistance

1. The SRF may not award grants.

2. Loans

The primary type of financial assistance an SRF shall provide is loans. Properly conditioned loans, as compared with the other types of financial assistance available from SRFs, establish repayment streams to fuel future SRF assistance. The conditions placed on loans made by an SRF are intended to maintain the Fund's financial integrity without hampering the state's flexibility to use the Fund to address the diverse needs of its communities. As part of its fund management strategy, a State should strive to ensure that money will be continually available to meet present and future wastewater treatment needs. Note, however, that loans may not be made to support the non-federal share of a project receiving grant assistance under the construction grants program.

a. Interest Rate

Loans must be made at or below market interest rates, and may include zero interest loans. A State may exercise flexibility in setting interest rates in order to accommodate the fiscal circumstances of individual communities. The market interest rate is the rate the State ascertains to be prevailing in the State, and the rate applied may

represent an average rate over a period of time or the rate on the date the loan is made.

b. Repayment Period

The SRF must establish loan terms that do not exceed twenty years (which has been calculated to be the average design life of a municipal wastewater treatment facility). This requirement guarantees that a revenue stream to support repayments will exist throughout the term of the loan because the funded project should be operating and collecting user charges for at least the length of its design life.

c. Repayment Schedule

Principal and interest payments must be made annually beginning not later than one year after the date of completion of construction, and the loan must be amortized within twenty years of completion. Each State has complete flexibility in setting the yearly amount of the principal repayment and the interest payment. States may set standard State-wide amortization schedules or address each loan on a case-by-case basis.

d. Dedicated Repayment Source

Each loan recipient must establish a dedicated source of revenue for repayment of the loan. Communities constructing treatment works with loan funds "directly made available by capitalization grants under Title VI and section 205(m)" of the Act must establish user charge systems as required under sections 602(b)(6) and 204(b)(1) of the Act. User charge systems must satisfy the requirements of 40 C.F.R. Subpart I. However, the municipality's debt can be serviced by systems other than user charges. For projects whose financial assistance is supported by funds other than Federal capitalization grants, the state must also assure that the recipient has a system that requires adequate revenue to provide for debt service and sufficient operation and maintenance of the project. Dedicated sources of revenue could be a user charge system, a special assessment, a general tax pledge (full faith and credit of the municipality), revenue bonds, or other sources.

e. Repayment to the SRF

All repayments of principal and interest must be deposited into the dedicated Fund. This requirement is intended to preserve the "revolving" nature of the SRF.

f. Prevention of Double Benefit

Because the portion of a loan that covers planning and design expenses previously covered by an allowance as part of a construction grant must be immediately returned, a State should generally not make such expenses eligible for loans.

3. Uses Other Than as Loans

In addition to loans, State Revolving Funds may provide any of the following types of financial assistance:

a. Refinancing

An SRF may buy or refinance a local debt obligation at or below market rate where such debt was incurred after March 7, 1985. For example, a municipality that, for NFDES compliance reasons, cannot wait for SRF funding to become available before commencing construction of its wastewater treatment facility may obtain interim financing from a source other than the SRF, and seek refinancing through the SRF at a later date when SRF funds are available.

b. Guarantees and Insurance

An SRF may guarantee or buy insurance for local debt obligations where such action would improve credit market access or reduce interest rates. Because these types of assistance may involve the expenditure of funds without a return stream, the purchasing power of the SRF may not be maintained. Therefore, fund activity in these areas should be limited to the extent that the purchasing power of the SRF is maintained to accommodate future project needs.

c. Leveraging

Resources in the SRF may also be "leveraged," i.e., used as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the SRF. Resources include all assets of an SRF, including the existing balance in the SRF at any point in time and future revenues from loan repayments. The state may be able to borrow against the repayment stream from outstanding loans made from an initial set of capitalization grants or part of the capitalization grant or state match, thus making available significant amounts of money much sooner than would otherwise be possible. Each state must comply with all of its securities laws and regulations, as well as with those of the Federal government. The bonds may be issued by an instrumentality of the state, the state agency responsible for administering the SRF, or an

interstate agency to which two or more states have delegated such responsibility.

Note, however, that the intent of the State match requirement is to show the State's willingness to invest in the SRF and to provide an absolute increase in the resources available to the SRF. Further, a capitalization grant is not available for use by a State until the State has shown that each match payment will be made and has made at least the first quarter's payment into the SRF. For these reasons, the State match can not come from future proceeds of a leveraging action that is dependant on a reserve account funded from the capitalization grant.

d. Sub-state Revolving Funds

Although the 1987 Amendments state that an SRF can provide loan guarantees to similar revolving funds established by municipal or intermunicipal agencies, EPA does not expect to authorize that use under the interim final regulations. Such authority will be provided when EPA has had sufficient experience with State-level revolving funds to provide a basis for sound regulations and guidance for the award of loans to substate revolving funds.

e. Administrative Expenses

As previously noted, SRF monies may be used by the state to cover the reasonable costs of administering the Fund, provided that no more than four percent of the amounts provided to the fund by federal capitalization grants are used for this purpose.

f. Earn Interest

In addition, an SRF may earn interest on fund accounts, subject to federal and state arbitrage limits.

g. Financial Constraints

The types of financial assistance described in this section (i.e., other than loans) may only be provided to a project receiving a construction grant if the Governor determines that the municipality faces severe financial constraints and the assistance is necessary to allow the project to proceed. The Agency does not intend to specify in regulations what constitutes "severe financial constraints."

d. Notice of Intent to Use Allotment for SRF Programs

In order for a state to use a portion of its construction grant allotment under Section 205 of the Act as a capitalization grant, the Governor must file with the Regional Administrator a notice of the state's intent. For FY 1987, the Notice of Intent must be received no later than _____ [90 DAYS AFTER ENACTMENT]. For each year thereafter, the notice must be filed no later than 90 days before the first day of the fiscal year for which it applies. In FY 1987, up to 50 percent of the state's allotment may be deposited in its SRF, and up to 75 percent may be deposited for FY 1988. There are no limits on the amount of the allotment which may be deposited in subsequent fiscal years, except that funds set-aside under section 205(j) cannot be deposited into the SRF. On October 1, 1990, federal funds will be available for capitalization grants only.

The notice of intent requirement is not intended to bind the State to a declared course of action. Instead, it will enable EPA to administer the SRF program more efficiently, particularly in its early years. Because the deadline for filing a notice of intent for fiscal year 1987 will pass prior to the promulgation of the interim final rules, and because a State's legal and budget circumstances may remain unclear until after the 90 day deadline, the Agency is advising States to submit the notice as specified above with the assurance that the notice may be amended or withdrawn.

e. Capitalization Grant Application and Agreement

A State may apply for a capitalization grant by submitting to the Regional Administrator the standard application form SF 5700-32 and a draft agreement and intended use plan. The application must be received later than ____ days before the fiscal year for which funds are being requested.

For each fiscal year, a Capitalization Grant Agreement must be entered into between the Administrator and the State before funds can be awarded under the permanent Title VI program and under the section 205(m) provision. Section 602 of the Act clearly sets forth ten specific conditions that must be included in this agreement. Additional provisions may be included if they are deemed necessary by the Administrator. The requirements are as follows:

1. SRF - An Instrumentality of the State

A certification that the State has established an SRF as an instrumentality of the State that is able to comply with the requirements and objectives of the Act.

documents, recognized by state law, that define terms and timing for transferring SRF assets to a loan recipient.

Anticipated commitments must be contained as specific proposals in the intended use plan, which is described in the next section and must be documented in the actual use report. The intended use plan, as its name implies, does not bind the State. Substitutes and modifications to provisions in the original plan must, however, be explained in the actual use plan, and total commitments on the amount, timing and type of assistance must be met.

5. All Funds - Timely Commitment

The state must agree to commit all of the funds in its SRF in a timely and expeditious manner. This requirement applies to the capitalization grant payments, deposits made under Section 205(m), the state match and any other state contributions, the proceeds of leveraging, and ultimately, loan repayments. This agreement must be supported by project information contained in the intended use plan.

6. Funds as a Result of Capitalization Grants --

First Use for Enforceable Requirements

Funds in the SRF not as a result of capitalization grants are not subject to this requirement. These monies may be used at any time for the construction of any treatment works on the state's priority list, for the implementation of management programs established under section 319, or for development and implementation of conservation and management plans under section 320. The use of the funds for section 319 and 320 programs need not be on the priority list but must be described in the intended use plan. The Governor retains the discretion to use up to 20 percent of the State's allotment to fund previously eligible projects as provided in 40 CFR Part 35, 2015.

7. Funds Directly Made Available from Capitalization Grants --
Title II Requirements

The State must certify to the Regional Administrator that all projects financed, in whole or in part before FY 1995, with funds "directly made available" by capitalization grants under Title VI and Section 205(m) of the Act will meet the requirements listed below in the same manner as projects receiving grants under Title II. These requirements do not apply to projects funded wholly from the state match nor to monies repaid to the fund, but do apply to the portion of the proceeds of leveraging equivalent to the capitalization grant when that grant is used for leveraging purposes. The projects not subject to the specified Title II requirements must be noted in the intended use plan. The content of the intended use plan is described in more detail in the following section.

The applicable requirements are:

Section 201(b) which requires that projects apply best practicable waste treatment technology,

Section 201(g)(1) which limits assistance to projects for secondary treatment, advanced treatment, or any cost-effective

alternative, new interceptors and appurtenances, and infiltration-inflow correction (this section retains the 20 percent Governor's discretionary set-aside, which can be used to fund other projects within the definition of treatment works in section 212(2), and for certain non-point source control and groundwater protection purposes,

Section 201(g)(2) which requires that alternative technologies be considered in project design,

Section 201(g)(3) which requires the applicant to show that the related sewer collection system is not subject to excessive infiltration,

Section 201(g)(5) which requires that applicants study innovative and alternative treatment technologies and take into account opportunities to make more efficient uses of energy and resources,

Section 201(g)(6) which requires that the applicant analyze the potential recreation and open space opportunities in the planning of the proposed facility,

Section 201(n)(1) which provides that funds under section 205 may be used to address water quality problems due to discharges

of combined sewer overflows, which are not otherwise eligible,
if such discharges are a major priority in a State.

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Section 201(b) which calls on the Administrator to encourage and assist communities in the development of capital financing plans,

Section 204(a)(1) and (2) which require that treatment works projects be included in plans developed under sections 208 and 303(e).

Section 204(b)(1) which requires communities to develop user charge systems and to have the legal, institutional, managerial, and financial capability to construct, operate, and maintain the treatment works,

Section 204(d)(2) which requires that, one year after the date of construction, the owner/operator of the treatment works must certify that the facility meets design specifications and effluent limitations included in its permit.

Section 211 which provides that collectors are not eligible unless the collector is needed to assure the total integrity of the treatment works or that adequate capacity exists at the facility,

Section 218 which assures that treatments systems are cost-effective and requires that projects of over \$10 million

include a value-engineering review,

Section 511(c)(1) which applies the National Environmental Policy Act to treatment works projects, and

~~Section 513 which applies Davis-Bacon labor wage provisions to treatment works construction.~~

Note: Since 1979, appropriation bills have required all projects to comply with the Agency's Advanced Treatment Policy, this includes projects funded from "equivalency" funds.

8. State Laws and Procedures

The State must agree to assure that it will follow its own laws and procedures applicable to revenue commitment or expenditure. This requirement may be satisfied by certification by an auditing body of the State that the SRF's procedures are established so to comply with the State's laws and procedures and generally accepted accounting principles.

12. Environmental Review Requirements

Section 602(a) of the Act gives the Administrator the authority to include conditions in capitalization grant agreements that are beyond those specified in section 602(b). Based on this authority, EPA plans to require each state to assure, prior to receiving funding, that all treatment works to be constructed in whole or in part with funds provided from the state revolving fund will be subject to systematic, interdisciplinary environmental review procedures to evaluate the possible environmental impacts (including secondary impacts) associated with such construction. Although the primary purpose of the SRF program in providing funding for the construction of treatment works is to improve the quality of the environment, this requirement is included because the potential exists for undesirable environmental side-effects resulting from inappropriate design or siting of funded treatment facilities, or from the promotion of uncontrolled residential, commercial, or industrial development. In order to ensure that the environmental improvement objectives of the SRF program are most effectively carried out in perpetuity and are not jeopardized by inadequate consideration of the associated environmental costs, EPA believes it is essential for States to develop and maintain the capability to conduct and appropriately utilize ecologically sound environmental reviews.

States that have comprehensive environmental review statutes in place should be able to fulfill the above requirement simply by complying with their own statutes. States that do not yet have such statutes in place will be required to develop adequate environmental review procedures by FY 1994 in order to be considered eligible for a capitalization grant in that fiscal year, and to subject SRF-funded treatment works projects to the NEPA process (as developed under the construction grants program) until such time as the State's own procedures have been developed and approved by the Administrator. Once the State's procedures have been approved, the Administrator's only concern will be to ensure that the State consistently follows its procedures. Under no circumstances will the Administrator override a State's decision pursuant to that State's environmental review of any particular project.

f. Intended Use Plan

A state may apply for a capitalization grant by submitting to the Regional Administrator the standard application form (SF 5700-32) and draft agreement described below. The application must be received no later than ___ days before fiscal year for which funds are being requested.

The following information must be included in each intended use plan:

1. List of Projects

A list of the publicly owned treatment construction projects on the State's priority list and a list of non-point source and estuary protection projects eligible for SRF assistance;

2. Long and Short Term Goals

A description of the long and short term goals of the State's SRF;

3. Information on the Activities to be Supported

Information on the activities to be supported by the SRF program, including a description of project categories, applicable discharge or other enforceable requirements, terms of financial assistance, and communities served;

4. Timing and Use of Funds

Assurances and specific proposals for meeting the binding commitments, expeditious and timely expenditure of funds, maintenance of progress, and specified Title II requirements of Section 602(b) of the Act, and;

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5. Criteria and Method for Distribution of Funds --
Including Public Comment

Information on the criteria for distribution of funds. The State must provide opportunity for public comment and review of the proposed intended use plan before submitting it, in final form, to EPA.

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g. State Administration of the SRF and Reporting Requirements

1. Administrative Costs

Each State must manage its SRF in accordance with the requirements of subpart K, which implements Title VI of the Act, and the assurances and certifications made as part of the capitalization grant agreement. In fiscal years 1987 through 1990, to administer funds transferred under section 205(m), the State may use funds reserved under 205(g). Beginning in fiscal year 1989, up to four percent of each capitalization grant awarded from allotments under title VI may be used for the administrative costs of operating the SRF. In fiscal years 1989 through 1990, when funds are available from both titles II and VI, a State may use more than four percent of the funds available to the SRF for administering the SRF as long as in no case is more than four percent of the total of the funds allocated to a State under titles II and VI used for administration. For both of these funding sources, the eligible administrative costs include all costs now eligible under section 205(g) construction management grants, costs of servicing loans and issuing debt, program start-up costs, financial, management, and legal consulting fees, and reimbursement costs for support services from other state agencies.

2. Intended Use Plan, Annual Report

A State must submit an intended use plan as part of its application for a capitalization grant. A state must also submit an annual report, [no later than 30 days] after the end of the federal fiscal year, which shall reflect the actual use of capitalization grant funds. The report shall update the intended use plan, identify recipients of financial assistance and include dates of loans, loan amounts, loan terms, and similar information regarding forms of financial assistance other than loans. The annual report, the intended use plan, and other records the Administrator may reasonably require form the basis of the Regional Administrator's annual review of each SRF program. EPA will develop an example report format as guidance.

3. Accounting, Auditing

As mentioned in the capitalization grant agreement discussion, the State is required to set up a framework of fiscal controls and procedures based on the generally accepted accounting principles. Within that framework, the State is required to maintain accounts for payments received by the fund, disbursements made by the fund, and fund balances at the beginning and end of the accounting period. The accounting period will be the Federal fiscal year (October 1 to September 30).

At least once a year, the Administrator will conduct, or will require the State to have independently conducted, an audit of the fiscal operation of the SRF. The State may designate an independent auditor of the state to carry out the audit or may contractually procure the service. An "independent auditor" is a state or local government auditor who meets the independence standards specified in generally accepted government auditing standards. The Regional Administrator may arrange for an EPA audit if the State fails to conduct the audit or if the State's review is otherwise unsatisfactory, but regardless of who conducts the audit, it must be conducted in accordance with the Standards For Audit of Government Organizations, Programs, Activities, and Functions, developed by the Comptroller General and dated February 27, 1981. The audit must be submitted to the Regional Administrator within 90 days of the end of the fiscal year for which it was conducted. [DISCUSS RELATIONSHIP WITH THE SINGLE AUDIT ACT.]

~~h. EPA's Role in Oversight of Capitalization Grant Conditions~~

1. Program Level Review

The Regional Administrator is responsible for reviewing each state's compliance with its capitalization grant agreement and the overall requirements of Title VI. This review is conducted at the program level. EPA will only conduct reviews of selected projects during a program review

to assure program compliance, or to investigate allegations of waste, fraud, or abuse.

2. Annual Review

The Regional Administrator is required to conduct an annual review of the intended use plan and the annual report covering the same fiscal year. The scope of the Regional Administrator's review shall be specified in the capitalization grant agreement. The Regional Administrator may request from a State or loan recipient materials that may be needed to conduct an adequate programmatic review. If additional information is required to complete the review and determine compliance, and the Regional Administrator provides reasonable notice, the state or loan recipient must make the requested records available to the Regional Administrator for the annual review.

3. Compliance Assurance

The annual review of the annual report and additional requested information shall be completed within sixty days after the end of the Federal fiscal year. If the Regional Administrator finds, as a result of the annual review, that the State has not complied with its capitalization grant agreement or other requirements under Title VI, the Regional Administrator shall notify the State of such non-compliance and prescribe the necessary corrective action. Failure to satisfy the terms of the

capitalization grant agreement, including unmet assurances or invalid certifications, is grounds for a finding of non-compliance.

In making a determination of non-compliance with the capitalization grant agreement and devising the corrective action, the Regional Administrator will identify the nature and cause of the State's failure. The State's corrective action must remedy the specific instance of non-compliance and adjust program management to avoid non-compliance in the future. The Regional Administrator will provide technical assistance to the State in correcting the non-compliance problem, upon request and when resources are available.

If a state fails to take the necessary corrective action within sixty days of receipt of the non-compliance notice, the Regional Administrator shall withhold payment to the SRF until the State has taken the required corrective action. Once the State takes the corrective action deemed necessary and adequate by the Regional Administrator, the withheld payments shall be released and scheduled payments shall recommence.

If a State fails to take the necessary corrective action deemed adequate by the Regional Administrator within twelve months of receipt of the original notice, the withheld payments shall be reallocated to other States.

4. Recovery of Funds

As a recipient of a Federal grant, the State is required to safeguard the capitalization grant funds from waste, fraud, or abuse. If the Regional Administrator determines that capitalization grant funds or funds resulting from the capitalization grant were subjected to waste, fraud, or abuse, such funds may be recovered in accordance with procedures outlined in 40 C.F.R. Part 30.

5. Audit Review

If the required annual audit of the use of a state's SRF funds is conducted separately from the Regional Administrator's annual oversight review of that state, the findings of the audit may be independent grounds for a determination of non-compliance. The audit should support the line items and the conclusions of the annual report. If the audit proves the annual report incorrect, the report should be reviewed again in terms of the audit findings. If this second review finds the state in non-compliance, the procedure outlined above will be implemented.

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

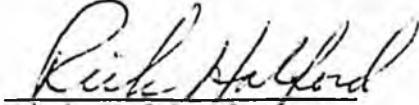
LETTER OF INTENT
SB 167

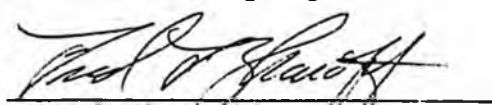
It is the intent of the Senate Committee on Community and Regional Affairs that, contingent upon federal requirements, when establishing interest rate policy as defined in AS 46.03.032 (i) (2) and setting interest standards for collateral or security as defined in AS 46.03.032 (i) (4) and (e), the department 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 for revenue bonds as defined by the Alaska Municipal Bond Bank Authority for all loans prior to July 1, 1992, and 75% of the current rate for all loans after July 1, 1992; and

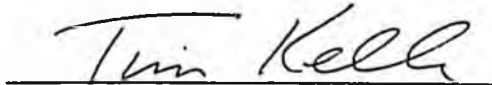
2. In order to determine that repayment of loans is secured (as required by federal legislation), the department will perform a financial capability review of the community. This review must demonstrate that the recipient has sufficiently pledged a dedicated revenue stream to repay the loan as well as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

OFFICE OF THE COMMISSIONER
P.O. BOX 0, JUNEAU 99811-1800

March 25, 1987

The honorable Arliss Sturgulewski
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

During the public hearing on SB 167 held by the Community and Regional Affairs Committee, you asked for an explanation of how the proposed Alaska Clean Water Fund will impact the Department's existing grant program.

The Department of Environmental Conservation administers three grant programs:

1. The 50 Percent Matching Construction Grants Program;
2. The Village Safe Water Program; and
3. The Federally Funded Construction Grants Program.

SB 167 would set up a state revolving loan fund that would take the place of the federally funded Construction Grants Program. This program is being phased out by Congress. However, federal restrictions would limit the type of projects that could be constructed through the proposed loan fund. Therefore, the State must maintain the two State funded programs. Additional reasons for this conclusion are described below.

1. 50 PERCENT MATCHING CONSTRUCTION GRANTS PROGRAM (AS 46.03)

The Construction Grants Program provides grants up to 50 percent of the nonfederally financed costs for water, sewer, and solid waste projects. These grants pay for engineering, construction, legal, administrative, and equipment costs. Only incorporated municipalities can receive grants through this program. Traditionally, local governments have raised their match by the formation of local improvement districts, sales tax, or the sale of local bonds.

2. VILLAGE SAFE WATER PROGRAM (AS 46.07)

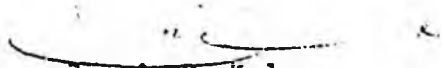
The Village Safe Water (VSW) Program is available to unincorporated and second class communities and covers 100 percent of project expenses. VSW is more than just a funding mechanism. Our engineering staff, experienced in cold climate utility development, acts as the village's "city engineer" in the planning, design, and construction management of the project when the community does not have the management expertise needed for a major capital project. These grants can be used for construction of water systems, wastewater collection and disposal, solid waste disposal, laundromats, and bathing facilities.

3. ALASKA CLEAN WATER ACT (Proposed by SB 167)

The Federal Construction Grants Program currently provides about \$14 million a year to Alaskan communities for construction of wastewater treatment plant projects. This program has existed since 1972, but will be phased out and replaced with a State Revolving Loan Fund Program. SB 167 establishes the framework for Alaska's revolving fund. Monies in the fund will be available to all incorporated communities. However, federal eligibility guidelines will restrict the use of the funds to major sewage treatment facilities and some segments of sewage collection systems. The federal monies cannot be used for water supply and solid waste projects.

Each program targets a different community-type and is tailored to meet specific needs. To maintain mechanisms for meeting the State's sanitation needs, all three programs must be in place. The Legislature, as it has in the past, will continue to direct the State's efforts in meeting these sanitation needs, through the capital budgeting process.

Sincerely,


Dennis D. Kelso
Commissioner

DDK:GH:jh

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

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.

Senator Holford
Page 2
March 27, 1987

The requirements imposed in SB 167 for management of the fund and the projects that are eligible for participation in the program appear to be consistent with the federal legislation. Under AS 46.03.032(d), added by section 4 of SB 167, the state permits the fund to be used for

- (1) buying or refinancing municipal treatment works debt obligations;
- (2) constructing facilities associated with public sewage collection treatment and discharge facilities;
- (3) constructing public water supply, treatment, and distribution systems; and
- (4) guaranteeing or purchasing insurance for public agency obligations related to treatment works construction.

Under sec. 603 (c) of the federal legislation, amounts in the fund are to be used only for financial assistance

- (1) for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and implementation of a conservation and management plan under sec 320 of this Act.

Under Sec. 603(d)(2), the fund may also be used to buy or refinance municipal debt obligations.

"Treatment works" is defined at 33 U.S.C 1292(2)(A) and apparently is not amended in the new federal legislation. The term includes devices and systems used for storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes or necessary to recycle or reuse water. The proposed use of funds in the Alaska clean water revolving loan fund appears consistent with the requirements of federal law and necessary to participate in a federal program. Therefore, the dedication of funds does not violate the Alaska constitution.

If I may be of further assistance, please advise.

TBC:mkr
m10/063

①

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: _____
Publish Date: _____

Revision Date: _____
Title: Act establishing a Revolving
Loan Fund (Alaska Clean Water Fund)
Sponsor: Senator Rick 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	2,179.0	2,152.7	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	10,895.4	10,763.6	11,263.6	14,527.2	10,895.4	7,263.6
OTHER						
TOTAL	13,074.4	12,916.3	13,516.3	17,432.6	13,074.4	8,716.3

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 funds. 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 (see attachment).

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

Approved by Commissioner: _____ Date: _____
Agency: Environmental Conservation

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

②

REQUEST: _____

Bill Version: SB 167
Publish Date: _____

Revision Date: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

Sponsor: Senator Halford

Components: _____

Requestor: _____

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
Division: Facility Construction and Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: [Signature]
Agency: Environmental Conservation

Date: 3/17/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

3

REQUEST: _____

Bill Version: _____
Publish Date: _____

Revision Date: _____
Title: Act establishing a Revolving Loan
Fund (Alaska Clean Water Fund)
Sponsor: Senator Rick 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-	4,331.8	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	-0-	21,659.0	11,263.6	14,527.2	10,895.4	7,262.6
OTHER						
TOTAL	-0-	25,990.8	13,516.3	17,432.6	13,074.4	8,716.3

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 funds. 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 (see attachment).

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

Approved by Commissioner: _____ Date: _____
Agency: Environmental Conservation

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

Attachment 1

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	\$ <u>69,240,600</u>
		\$ 83,088,720

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 3/19/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)
3/11/87

DATE TURNED INTO OFFICE 4/1/87

Mr. President:

C&RA Committee considered SB 167

grants for water supply, sewage, and solid waste facilities;
establishing a revolving loan fund; efd.

and recommended:

[] replace with CS _____ [] same title
[] attached amendment(s) and [] new title

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted and attached

** Committee ⁽²⁾ [] attached ^{and} or [] adopted fiscal note(s)
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rick Hatford
Mike Zyman
and [unclear]

Artis Stangulinski Do Pass.
Chairman signature and recommendation

[X] Committee Backup Attached

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

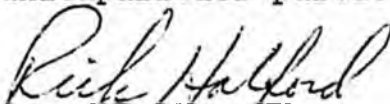


Senate Community and Regional Affairs Committee

LETTER OF INTENT
SB 167

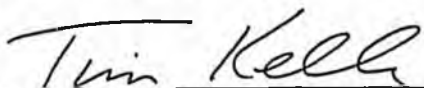
It is the intent of the Senate Committee on Community and Regional Affairs that, contingent upon federal requirements, when establishing interest rate policy as defined in AS 46.03.032 (i) (2) and setting interest standards for collateral or security as defined in AS 46.03.032 (i) (4) and (e), the department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

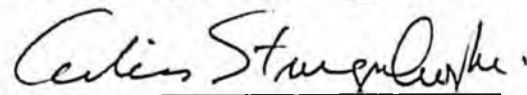
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2. In order to determine that repayment of loans is secured (as required by federal legislation), the department will perform a financial capability review of the community. This review must demonstrate that the recipient has sufficiently pledged a 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

	A	B	C	D	E	F	G
1	rates	interest rates		.66		.75	
2							
3		2		1.32	.68	1.5	.5
4		3		1.98	1.02	2.25	.75
5		4		2.64	1.36	3	1
6		5		3.3	1.7	3.75	1.25
7		6		3.96	2.04	4.5	1.5
8		7		4.62	2.38	5.25	1.75
9		8		5.28	2.72	6	2
10		9		5.94	3.06	6.75	2.25
11		10		6.6	3.4	7.5	2.5
12		11		7.26	3.74	8.25	2.75
13		12		7.92	4.08	9	3
14		13		8.58	4.42	9.75	3.25
15		14		9.24	4.76	10.5	3.5
16		15		9.9	5.1	11.25	3.75
17		16		10.56	5.44	12	4
18		17		11.22	5.78	12.75	4.25
19		18		11.88	6.12	13.5	4.5

ANCA 8%
 Fbxs 8%
 Nomō 2%
 Pelican 0-2%
 North Pole 5%
 Kodiak 5%
 St. Mary's 4-5%
 Juneau 4½-6%
 Bristol Bay Borough 5-8%
 Galena -
 Craig - low as possible
 Haines - 0%
 Kodiak Borough 3-5%
 Unalaska 3-5%
 Ketchikan 5% unless

Sitka 3%
 Yakutat 4%
 Uetchikan Borough 1-5%
 Seldovia 70% of Prime
 Seal Point 2-5%
 North Slope 5%
 King Cove 5%

MACKIE CAMPBELL
OFFICE OF SENATOR STURGULEWSKI
POUCH V
JUNEAU, AK 99811

DRAFT

DEAR MR. CAMPBELL:

IN THE PROCESS OF DRAFTING A LETTER OF INTENT TO SB176 FROM THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE YOU ASKED THE DEPARTMENT A COUPLE OF QUESTIONS. SPECIFICALLY YOU ASKED:

(1) THE NUMBER OF STATES INTRODUCING STATE LEGISLATION TO ESTABLISH REVOLVING LOAN FUNDS SIMILAR TO THE ALASKA CLEAN WATER FUND PROPOSED IN SB167?

(2) HOW ARE OTHER STATES DEALING WITH THE INTEREST RATES TO BE CHARGED BY THE "FUND"?

WE CONTACTED JAMIE BOURNE OF THE ENVIRONMENTAL PROTECTION AGENCY'S POLICY AND ANALYSIS SECTION IN WASHINGTON D.C. TO FIND THESE ANSWERS. FORTY-SEVEN STATES PLAN TO INTRODUCE ENABLING LEGISLATION DURING FEDERAL FISCAL YEARS '87 - '88.

THE MAJORITY OF STATES ARE NOT ADDRESSING SPECIFIC INTEREST RATES IN THEIR LEGISLATION, RATHER, ACCORDING TO MR. BOURNE, THEY ARE ADDRESSING THE INTEREST RATE POLICY FOR THE FUND. THIS IS BEING DONE IN ONE OF TWO WAYS:

(1) SIMPLY STATING IN THE LEGISLATION THAT THE FUND SHALL MAKE ZERO OR LOW INTEREST LOANS, OR

(2) SETTING A CEILING ON THE INTEREST THE FUND CAN CHARGE (e.g. INTEREST RATES SHALL NOT EXCEED A GIVEN PERCENT OF THE AMOUNT CHARGED ON BONDS AT THE STATE OR NATIONAL MARKET).

FOR THE MOST PART, FLEXIBILITY IN ESTABLISHING INTEREST RATES IS BEING LEFT TO THE ADMINISTRATORS OF THE LOAN FUNDS. TWO FACTORS THAT WILL IMPACT THE RATE ARE:

- 1) THE ECONOMIC ENVIRONMENT, i.e. THE INTEREST RATE COMMUNITIES PAY FOR ALTERNATIVE PUBLIC FINANCING OPTIONS.
- 2) THE FUNDS ABILITY TO COMMIT 120% OF THE FEDERAL CAPITALIZATION MONEY WITHIN ONE YEAR AFTER ITS RECEIPT. SINCE THE FEDERAL GOVERNMENT HAS ATTACHED A "USE IT OR LOOSE IT" PROVISION TO THESE FEDERAL DOLLARS, THE INTEREST RATE ON LOANS WILL HAVE TO BE LOW ENOUGH TO ATTRACT ENOUGH COMMUNITIES TO CONSUME 120% OF THE ANNUAL FEDERAL CAPITALIZATION GRANTS DURING THE START UP OF THE FUND.

MY PRIMARY CONCERN IS THE TRANSITION PERIOD BETWEEN GRANTS AND LOANS. WE AGREE WITH THE NEED TO PROVIDE GUIDANCE TO THE AGENCY ON SETTING THE INTEREST TO BE CHARGED. HOWEVER, WE DO NOT WANT TO KEEP THE FUND FROM BEING USED BECAUSE THE RATE IS UNATTRACTIVE. THE USE OF THE ALASKA CLEAN WATER FUND SHOULD CHANGE AS THE STATE'S ECONOMY IMPROVES AND THE LOANS BECOME THE ONLY AVAILABLE FUNDING MECHANISM. PLEASE REMEMBER THAT THE FEDERAL GOVERNMENT REQUIRES THAT STATE COMMIT 120% OF THE FEDERAL FUNDS WITHIN 1 YEAR OF THEIR RECEIPT AND THAT THEY WILL STILL REQUIRE CERTAIN FEDERAL CRITERIA TO BE MET. IT WOULD BE BEST IF FLEXIBILITY COULD BE MAINTAINED SO THAT IF USING A RATE TIED TO THE MUNICIPAL BOND BANK RATE FAILS THE RATE COULD BE LOWER. ONCE THE "FIRST-ROUND" FUNDS ARE LOANED AND THE FEDERAL TECHNICAL REQUIREMENTS DECREASE, THE MONEY WILL BE EASIER TO USE BY COMMUNITIES.

DRAFT

A COMBINATION OF A RELATIVELY HIGH RATE AND THE RESIDUAL EPA REQUIREMENTS FOR THE FIRST ROUND OF LOANS MAY BE UNACCEPTABLE TO MOST COMMUNITIES. IT IS DESIRABLE TO INFLATION PROOF THIS FUND BY ESTABLISHING A REASONABLE INTEREST RATE, ANY INTEREST RATE THAT IS TOO HIGH INITIALLY AND NOT ATTRACTIVE TO COMMUNITIES WILL PREVENT US FROM CAPTURING VERY MUCH OF THE STATE'S ALLOTMENT OF FEDERAL FUNDS. IF THAT HAPPENS, THERE WILL BE NO LOAN FUND SINCE THERE WILL BE NO FEDERAL FUNDS TO CAPITALIZE IT. FOR THAT REASON I FAVOR HAVING NO FLOOR ESTABLISHED INITIALLY.

"TITLE VI—STATE WATER POLLUTION CONTROL REVOLVING FUNDS

"SEC. 601. GRANTS TO STATES FOR ESTABLISHMENT OF REVOLVING FUNDS

"(a) GENERAL AUTHORITY.—Subject to the provisions of this title, the Administrator shall make capitalization grants to each State for the purpose of establishing a water pollution control revolving fund for providing assistance (1) for construction of treatment works (as defined in section 212 of this Act) which are publicly owned, (2) for implementing a management program under section 319, and (3) for developing and implementing a conservation and management plan under section 320.

"(b) SCHEDULE OF GRANT PAYMENTS.—The Administrator and each State shall jointly establish a schedule of payments under which the Administrator will pay to the State the amount of each grant to be made to the State under this title. Such schedule shall be based on the State's intended use plan under section 606(c) of this Act, except that—

"(1) such payments shall be made in quarterly installments, and

"(2) such payments shall be made as expeditiously as possible, but in no event later than the earlier of—

"(A) 8 quarters after the date such funds were obligated by the State, or

"(B) 12 quarters after the date such funds were allotted to the State.

"SEC. 602. CAPITALIZATION GRANT AGREEMENTS

"(a) GENERAL RULE.—To receive a capitalization grant with funds made available under this title and section 205(m) of this Act, a State shall enter into an agreement with the Administrator which shall include but not be limited to the specifications set forth in subsection (b) of this section.

"(b) SPECIFIC REQUIREMENTS.—The Administrator shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administrator that—

"(1) the State will accept grant payments with funds to be made available under this title and section 205(m) of this Act in accordance with a payment schedule established jointly by the Administrator under section 601(b) of this Act and will deposit all such payments in the water pollution control revolving fund established by the State in accordance with this title;

"(2) the State will deposit in the fund from State moneys an amount equal to at least 20 percent of the total amount of all capitalization grants which will be made to the State with funds to be made available under this title and section 205(m) of this Act on or before the date on which each quarterly grant payment will be made to the State under this title;

"(3) the State will enter into binding commitments to provide assistance in accordance with the requirements of this title in an amount equal to 120 percent of the amount of each such grant payment within 1 year after the receipt of such grant payment;

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

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SOURCES OF FUNDS					
BEGINNING BALANCE		12,499,503	12,884,079	14,987,117	21,505,559
CAPITALIZATION					
Current	\$13,074,480	12,916,320	13,516,320	17,432,640	13,074,480
Cumulative	\$13,074,480	25,990,800	39,507,120	56,939,760	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	871,713	1,696,211	2,560,712
Cumulative	\$0	0	871,713	2,567,923	5,128,635
LOAN DEFAULTS					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
NET LOAN REPAYMENTS					
Current	\$0	0	871,713	1,696,211	2,560,712
Cumulative	\$0	0	871,713	2,567,923	5,128,635
INVESTED FUNDS	\$13,074,480	12,341,343	14,355,792	20,599,648	19,708,111
Interest Rate for Invested Funds	0.00%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$0	\$1,135,404	\$1,320,733	\$1,895,168	\$1,813,146
TOTAL SOURCES OF FUNDS					
Current	\$13,074,480	26,551,226	28,592,844	36,011,135	38,953,898
Cumulative	\$13,074,480	39,625,706	68,218,551	104,229,686	143,183,583
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	12,966,320	16,882,640
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760
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	12,966,320	16,882,640
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760
ADMINISTRATIVE/OPERATIONAL COSTS	\$0	\$0	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	\$0	13,074,480	12,916,320	13,516,320	17,432,640
Cumulative	\$0	13,074,480	25,990,800	39,507,120	56,939,760
FUND BALANCE (END OF YEAR)	\$13,074,480	\$13,476,746	\$15,676,524	\$22,494,815	\$21,521,258
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	\$12,499,503	12,884,079	14,987,117	21,505,559	20,574,816

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

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
SOURCES OF FUNDS					
BEGINNING BALANCE	20,574,816	20,778,256	19,948,089	15,227,643	11,128,378
CAPITALIZATION					
Current	8,716,320	4,358,160	0	0	0
Cumulative	78,730,560	83,088,720	83,088,720	83,088,720	83,088,720
BOND 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	3,686,326	4,521,368	5,188,097	5,981,958	6,775,819
Cumulative	8,814,961	13,336,329	18,524,426	24,506,384	31,282,202
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	3,686,326	4,521,368	5,188,097	5,981,958	6,775,819
Cumulative	8,814,961	13,336,329	18,524,426	24,506,384	31,282,202
INVESTED FUNDS	19,902,982	19,107,784	14,586,185	10,659,600	7,354,197
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$1,831,074	\$1,757,916	\$1,341,929	\$980,683	\$676,586
TOTAL SOURCES OF FUNDS					
Current	34,808,536	31,415,701	26,473,114	22,190,284	18,580,783
Cumulative	177,992,119	209,407,820	235,985,934	258,076,218	276,657,001
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	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	67,814,240	77,814,240	87,814,240	97,814,240	107,814,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	12,524,480	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	67,814,240	77,814,240	87,814,240	97,814,240	107,814,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	13,074,480	10,550,000	10,550,000	10,550,000	10,550,000
Cumulative	70,014,240	80,564,240	91,114,240	101,664,240	112,214,240
****FUND BALANCE**** (END OF YEAR)	\$21,734,056	\$20,865,701	\$15,928,114	\$11,640,284	\$8,030,783
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	20,778,256	19,948,089	15,227,643	11,128,378	7,677,613

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

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
SOURCES OF FUNDS					
BEGINNING BALANCE	7,677,613	4,903,866	2,836,910	1,507,826	949,070
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720
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	7,569,680	8,363,541	9,157,402	9,951,263	10,745,123
Cumulative	38,851,882	47,215,423	56,372,824	66,324,087	77,069,210
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	7,569,680	8,363,541	9,157,402	9,951,263	10,745,123
Cumulative	38,851,882	47,215,423	56,372,824	66,324,087	77,069,210
INVESTED FUNDS	4,697,293	2,717,406	1,444,311	909,090	1,144,193
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$432,151	\$250,001	\$132,877	\$83,636	\$105,266
TOTAL SOURCES OF FUNDS					
Current	15,679,443	13,517,408	12,127,188	11,542,727	11,799,459
Cumulative	292,336,445	305,853,852	317,981,040	329,523,767	341,323,226
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	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	117,814,240	127,814,240	137,814,240	147,814,240	157,814,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	117,814,240	127,814,240	137,814,240	147,814,240	157,814,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000
Cumulative	122,764,240	133,314,240	143,864,240	154,414,240	164,364,240
****FUND BALANCE**** (END OF YEAR)	\$5,129,443	\$2,967,408	\$1,577,188	\$932,727	\$1,249,459
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	4,903,866	2,836,910	1,507,826	949,070	1,194,511

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

	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
SOURCES OF FUNDS					
BEGINNING BALANCE	1,194,511	2,279,519	4,241,016	7,117,545	10,949,349
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720
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	11,538,984	12,332,845	13,126,706	13,920,567	14,714,428
Cumulative	88,688,195	100,941,040	114,067,746	127,988,314	142,702,742
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	11,538,984	12,332,845	13,126,706	13,920,567	14,714,428
Cumulative	88,688,195	100,941,040	114,067,746	127,988,314	142,702,742
INVESTED FUNDS	2,183,496	4,062,365	6,817,722	10,488,113	15,113,777
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$200,882	\$373,738	\$627,230	\$964,986	1,390,468
TOTAL SOURCES OF FUNDS					
Current	12,934,377	14,986,102	17,994,952	22,003,019	27,054,245
Cumulative	354,257,603	369,243,705	387,238,658	409,241,677	436,295,922
** 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	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	167,814,240	177,814,240	187,814,240	197,814,240	207,814,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	167,814,240	177,814,240	187,814,240	197,814,240	207,814,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000
Cumulative	175,514,240	186,064,240	196,614,240	207,164,240	217,714,240
****FUND BALANCE**** (END OF YEAR)	\$2,384,377	\$4,436,102	\$7,444,952	\$11,453,019	\$16,504,245
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	2,279,519	4,241,016	7,117,545	10,949,349	15,778,437

- ① 4.67% INFLATION RATE
- ② 9.27% INTEREST RATE ON INVESTED FUNDS
- ③ 3% INTEREST ON LOANS FIRST 7 YRS
- ④ 5% " RATE THEREAFTER
- ⑤ Quarterly payments
- ⑥ 20 yr. Ammortization

INTEREST RATE ON LOANS: 4.3%
 PAYMENTS BEGIN 1 YR AFTER LOAN IS MADE
 PAYMENTS MADE ON A QUARTERLY BASIS
 INFLATION RATE = 5%
 6.5% INTEREST ON INVESTED FUNDS
 Admin costs out of fund beginning 3rd yr

****SIRF FULL 20 YEAR REPORT****	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR	%	YEAR	YEAR	YEAR	YEAR	YEAR
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		16	17	18	19	20
SOURCES OF FUNDS																					
BEGINNING BALANCE		12,451,886	11,708,310	13,476,042	19,570,898	18,343,829	18,380,037	17,507,060	12,959,846	9,106,323	5,956,404	3,520,138	1,807,721	829,493	595,944		1,117,711	2,405,585	4,470,510	7,323,586	10,976,073
CAPITALIZATION																					
Current	\$13,074,480	12,916,320	13,516,320	17,432,640	13,074,480	8,716,320	4,350,160	0	0	0	0	0	0	0	0		0	0	0	0	0
Cumulative	\$13,074,480	25,990,800	39,507,120	56,939,760	70,014,240	78,730,560	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720		83,088,720	83,088,720	83,088,720	83,088,720	83,088,720
BCNDS ISSUED																					
Current	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
Cumulative	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)																					
Current	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
Cumulative	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
LOAN ACTIVITY																					
LOAN REPAYMENTS																					
Current	\$0	0	977,929	1,902,889	2,672,728	4,135,494	5,072,285	5,820,252	6,568,220	7,316,187	8,064,155	8,812,122	9,560,090	10,308,057	11,056,025		11,803,992	12,551,960	13,299,927	14,047,895	14,795,862
Cumulative	\$0	0	977,929	2,880,818	5,553,545	9,689,040	14,761,325	20,781,577	27,349,796	34,665,984	42,730,138	51,542,260	61,102,350	71,410,407	82,466,432		94,270,424	106,822,384	120,122,311	134,170,206	148,966,068
LOAN DEFAULTS																					
Current	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
Cumulative	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
NET LOAN REPAYMENTS																					
Current	\$0	0	977,929	1,902,889	2,672,728	4,135,494	5,072,285	5,820,252	6,568,220	7,316,187	8,064,155	8,812,122	9,560,090	10,308,057	11,056,025		11,803,992	12,551,960	13,299,927	14,047,895	14,795,862
Cumulative	\$0	0	977,929	2,880,818	5,553,545	9,689,040	14,761,325	20,781,577	27,349,796	34,665,984	42,730,138	51,542,260	61,102,350	71,410,407	82,466,432		94,270,424	106,822,384	120,122,311	134,170,206	148,966,068
INVESTED FUNDS	\$13,074,480	12,293,726	13,286,239	19,295,251	18,025,466	16,121,164	17,260,482	12,777,313	8,978,065	5,872,511	3,470,558	1,782,260	817,810	587,551	1,101,969		2,371,703	4,407,545	7,220,437	10,821,480	15,221,935
Interest Rate for Invested Funds	0.00%	0.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%		6.50%	6.50%	6.50%	6.50%	6.50%
Interest on Invested Funds	\$0	\$0	\$863,606	\$1,254,191	\$1,175,555	\$1,177,876	\$1,121,931	\$830,525	\$583,574	\$381,713	\$225,586	\$115,847	\$53,153	\$38,191	\$71,628		\$154,151	\$286,490	\$469,328	\$703,396	\$89,426
TOTAL SOURCES OF FUNDS																					
Current	\$13,074,480	25,360,206	27,066,164	34,065,763	36,653,661	32,373,519	28,932,413	24,157,838	20,111,640	16,804,224	14,246,145	12,448,107	11,420,968	11,175,741	11,723,597		13,075,864	15,244,035	18,239,765	22,074,877	26,761,361
Cumulative	\$13,074,480	38,442,696	65,508,850	99,574,613	136,253,274	168,641,793	197,574,286	221,732,044	241,843,634	258,647,908	272,894,052	285,342,159	296,763,127	307,938,869	319,662,466		332,738,330	347,982,365	366,222,130	388,297,006	415,058,367
USES OF FUNDS																					
BOND RETIREMENT																					
Current	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
Cumulative	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
TOTAL BOND INSURANCE FEE	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
--LOAN ACTIVITY--																					
LOANS MADE																					
Current	\$0	13,074,480	12,366,320	12,966,320	16,082,640	12,524,480	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760	67,814,240	77,814,240	87,814,240	97,814,240	107,814,240	117,814,240	127,814,240	137,814,240	147,814,240	157,814,240		167,814,240	177,814,240	187,814,240	197,814,240	207,814,240
GRANTS MADE																					
Current	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
Cumulative	\$0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0	0	0	0	0
TOTAL LOANS & GRANTS MADE																					
Current	\$0	13,074,480	12,366,320	12,966,320	16,082,640	12,524,480	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000		10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760	67,814,240	77,814,240	87,814,240	97,814,240	107,814,240	117,814,240	127,814,240	137,814,240	147,814,240	157,814,240		167,814,240	177,814,240	187,814,240	197,814,240	207,814,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$0	\$0	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000		\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS																					
Current	\$0	13,074,480	12,916,320	13,516,320	17,432,640	13,074,480	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000	10,550,000		10,550,000	10,550,000	10,550,000	10,550,000	10,550,000
Cumulative	\$0	13,074,480	25,990,800	39,507,120	56,939,760	70,014,240	80,564,240	91,114,240	101,664,240	112,214,240	122,764,240	133,314,240	143,864,240	154,414,240	164,964,240		175,514,240	186,064,240	196,614,240	207,164,240	217,714,240
****FUND BALANCE**** (END OF YEAR)	\$13,074,480	\$12,293,726	\$14,149,844	\$20,549,443	\$19,261,821	\$19,299,039	\$18,382,413	\$13,687,838	\$9,561,640	\$6,254,224	\$3,696,145	\$1,898,107	\$870,968	\$625,741	\$1,173,597		\$2,525,864	\$4,694,035	\$7,689,765	\$11,524,877	\$16,211,361
INFLATION ANALYSIS OF FUND																					
INFLATION RATE	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		5.00%	5.00%	5.00%	5.00%	5.00%
CONSTANT DOLLARS	\$12,451,886	11,708,310	13,476,042	19,570,898	18,343,829	18,380,037	17,507,060	12,959,846	9,106,323	5,956,404	3,520,138	1,807,721	829,493	595,944	1,117,711		2,405,585	4,470,510	7,323,586	10,976,073	15,429,391

ASSUMPTIONS:

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 = 4.37% (2/3)
 - ∴ INTEREST THEREAFTER = 5.475%
4. 20 yr AMMORTIZATION PERIOD

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

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SOURCES OF FUNDS					
BEGINNING BALANCE		12,499,503	12,884,079	15,098,004	21,837,090
CAPITALIZATION					
Current	\$13,074,480	12,916,320	13,511,320	17,432,640	13,074,480
Cumulative	\$13,074,480	25,990,800	39,507,120	56,939,760	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	977,929	1,902,889	2,872,728
Cumulative	\$0	0	977,929	2,880,818	5,753,545
LOAN DEFAULTS					
Current	\$0	0	0	0	0
Cumulative	\$0	0	0	0	0
NET LOAN REPAYMENTS					
Current	\$0	0	977,929	1,902,889	2,872,728
Cumulative	\$0	0	977,929	2,880,818	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	0.00%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$0	\$1,135,404	\$1,330,505	\$1,924,384	\$1,872,353
TOTAL SOURCES OF FUNDS					
Current	\$13,074,480	26,551,226	28,708,832	36,357,917	39,656,651
Cumulative	\$13,074,480	39,625,706	68,334,538	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	12,966,320	16,882,640
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760
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	12,966,320	16,882,640
Cumulative	\$0	13,074,480	25,440,800	38,407,120	55,289,760
ADMINISTRATIVE/OPERATIONAL COSTS	\$0	\$0	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	\$0	13,074,480	12,916,320	13,516,320	17,432,640
Cumulative	\$0	13,074,480	25,990,800	39,507,120	56,939,760
FUND BALANCE (END OF YEAR)	\$13,074,480	\$13,476,746	\$15,792,512	\$22,841,597	\$22,224,011
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	\$12,499,503	12,884,079	15,098,004	21,837,090	21,246,664

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

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
SOURCES OF FUNDS					
BEGINNING BALANCE	21,246,664	21,948,572	20,440,044	15,193,825	10,688,811
CAPITALIZATION					
Current	8,716,320	4,358,160	0	0	0
Cumulative	78,730,560	83,088,720	83,088,720	83,088,720	83,088,720
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	4,135,494	5,072,285	5,913,748	6,844,724	7,775,700
Cumulative	9,889,040	14,961,325	20,875,073	27,719,797	35,495,497
LOAN DEFAULTS					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
NET LOAN REPAYMENTS					
Current	4,135,494	5,072,285	5,913,748	6,844,724	7,775,700
Cumulative	9,889,040	14,961,325	20,875,073	27,719,797	35,495,497
INVESTED FUNDS	21,023,999	19,579,017	14,553,792	10,230,550	6,664,511
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$1,934,208	\$1,801,270	\$1,338,949	\$941,947	\$613,135
TOTAL SOURCES OF FUNDS					
Current	36,032,686	33,180,286	27,692,741	22,980,496	19,077,646
Cumulative	180,381,792	213,562,079	241,254,820	264,235,316	283,312,962
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	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	67,814,240	79,064,240	90,314,240	101,564,240	112,814,240
GRANTS MADE					
Current	0	0	0	0	0
Cumulative	0	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	12,524,480	11,250,000	11,250,000	11,250,000	11,250,000
Cumulative	67,814,240	79,064,240	90,314,240	101,564,240	112,814,240
ADMINISTRATIVE/OPERATIONAL COSTS	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
TOTAL USES OF FUNDS					
Current	13,074,480	11,800,000	11,800,000	11,800,000	11,800,000
Cumulative	70,014,240	81,814,240	93,614,240	105,414,240	117,214,240
****FUND BALANCE**** (END OF YEAR)	\$22,958,286	\$21,380,286	\$15,892,741	\$11,180,496	\$7,277,646
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	21,948,572	20,440,044	15,193,825	10,688,811	6,957,597

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

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
SOURCES OF FUNDS					
BEGINNING BALANCE	6,957,597	4,034,212	1,954,184	754,599	474,178
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720
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	9,637,652	10,568,628	11,499,604	12,430,580
Cumulative	44,202,173	53,839,826	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	9,637,652	10,568,628	11,499,604	12,430,580
Cumulative	44,202,173	53,839,826	64,408,454	75,908,058	88,338,639
INVESTED FUNDS	3,864,273	1,871,865	722,812	454,204	1,104,759
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	313,176,824	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	\$2,044,076	\$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	4,034,212	1,954,184	754,599	474,178	1,153,343

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

	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
SOURCES OF FUNDS					
BEGINNING BALANCE	1,153,343	2,834,292	5,561,083	9,379,708	14,338,182
CAPITALIZATION					
Current	0	0	0	0	0
Cumulative	83,088,720	83,088,720	83,088,720	83,088,720	83,088,720
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	13,361,557	14,292,533	15,223,509	16,154,485	17,085,461
Cumulative	101,700,195	115,992,728	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	115,992,728	131,216,237	147,370,721	164,456,182
INVESTED FUNDS	2,714,899	5,326,825	8,984,592	13,734,192	19,623,642
Interest Rate for Invested Funds	9.20%	9.20%	9.20%	9.20%	9.20%
Interest on Invested Funds	\$249,771	\$490,068	\$826,582	\$1,263,546	1,805,375
TOTAL SOURCES OF FUNDS					
Current	14,764,670	17,616,893	21,611,174	26,797,738	33,229,017
Cumulative	365,833,192	383,450,084	405,061,259	431,858,996	465,088,014
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	180,314,240	191,564,240	202,814,240	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	180,314,240	191,564,240	202,814,240	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	180,814,240	199,814,240	211,614,240	223,414,240	235,214,240
****FUND BALANCE**** (END OF YEAR)	\$2,964,670	\$5,816,893	\$9,811,174	\$14,997,738	\$21,429,017
INFLATION ANALYSIS OF FUND					
INFLATION RATE	4.60%	4.60%	4.60%	4.60%	4.60%
CONSTANT DOLLARS	2,834,292	5,561,083	9,379,708	14,338,182	20,486,632

	A	B	C	D	E	F	G
1	rates	interest	rates	.66		.75	
2							
3		2		1.32	.68	1.5	.5
4		3		1.98	1.02	2.25	.75
5		4		2.64	1.36	3	1
6		5		3.3	1.7	3.75	1.25
7		6		3.96	2.04	4.5	1.5
8		7		4.62	2.38	5.25	1.75
9		8		5.28	2.72	6	2
10		9		5.94	3.06	6.75	2.25
11		10		6.6	3.4	7.5	2.5
12		11		7.26	3.74	8.25	2.75
13		12		7.92	4.08	9	3
14		13		8.58	4.42	9.75	3.25
15		14		9.24	4.76	10.5	3.5
16		15		9.9	5.1	11.25	3.75
17		16		10.56	5.44	12	4
18		17		11.22	5.78	12.75	4.25
19		18		11.88	6.12	13.5	4.5

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : _____
Publish Date : _____

Revision Date: _____

Agency Affected: Environmental Conservation

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

BRU: Facility Construction & Operation

Sponsor: Governor Cowder

Components : _____

Requestor : _____

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
Division: Facility Construction & Operation

Phone: 465-2610
Date: 3/4/87

Approved by Commissioner: _____
Agency: Environmental Conservation

Date: 11/2/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Attachment 1

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

DEPARTMENT: Environmental Conservation

DATE: 2-26-87 LAW LOG # 773-87-0027

RETURN TO GOVERNOR'S OFFICE BY: 3-6-87

Please indicate your recommendation regarding the final draft legislation affecting your department sent to you by the Department of Law. If you notice any changes you would like to make to the transmittal letter, major corrections, or issues to be addressed, list them below.

~~_____~~ sign this cover sheet and return to Candise Griffin, Office of the Governor, as soon as possible. Thank you.

RECOMMENDATION: (Approve) hold, do not approve)

COMMENTS: *See attached changes to transmittal letter*

[Signature] Commissioner's Signature *March 5, 1987* Date

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: _____
Publish Date: _____

Revision Date: _____
Title: Act establishing a Revolving
Loan Fund (Alaska Clean Water Fund)
Sponsor: Governor Cowder
Requestor: _____

Agency Affected: Environ. 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						

*1

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	4,331,800	2,252,720	2,905,440	2,179,080	1,452,720
FEDERAL FUNDS	-0-	21,659,000	1,263,600	14,527,200	10,895,400	7,262,600
OTHER						
TOTAL	-0-	25,990,800	3,516,320	17,432,640	13,074,480	8,716,320

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Assumptions and analysis attached

Prepared by: Lori Telfer Phone: 465-2610
Division: Facility Construction & Operation Date: 3/04/87

Approved by Commissioner: _____ Date: _____
Agency: Environmental Conservation

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

Attachment 1

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.
- 2 The general fund estimates indicate state match needed if federal funds are sought to capitalize the loan fund. This does not obligate the State to appropriate the 20% match, it only demonstrates how the Alaska Clean Water Fund can be capitalized depending on future budgetary decisions.

Loan repayments to the fund and interest earned by the fund have not been included in this analysis.

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

42 162 100 SHEETS
NATIONAL

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	\$ 3.63 M	

3-17-87

SB167

STATE MATCH DECISION TREE

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

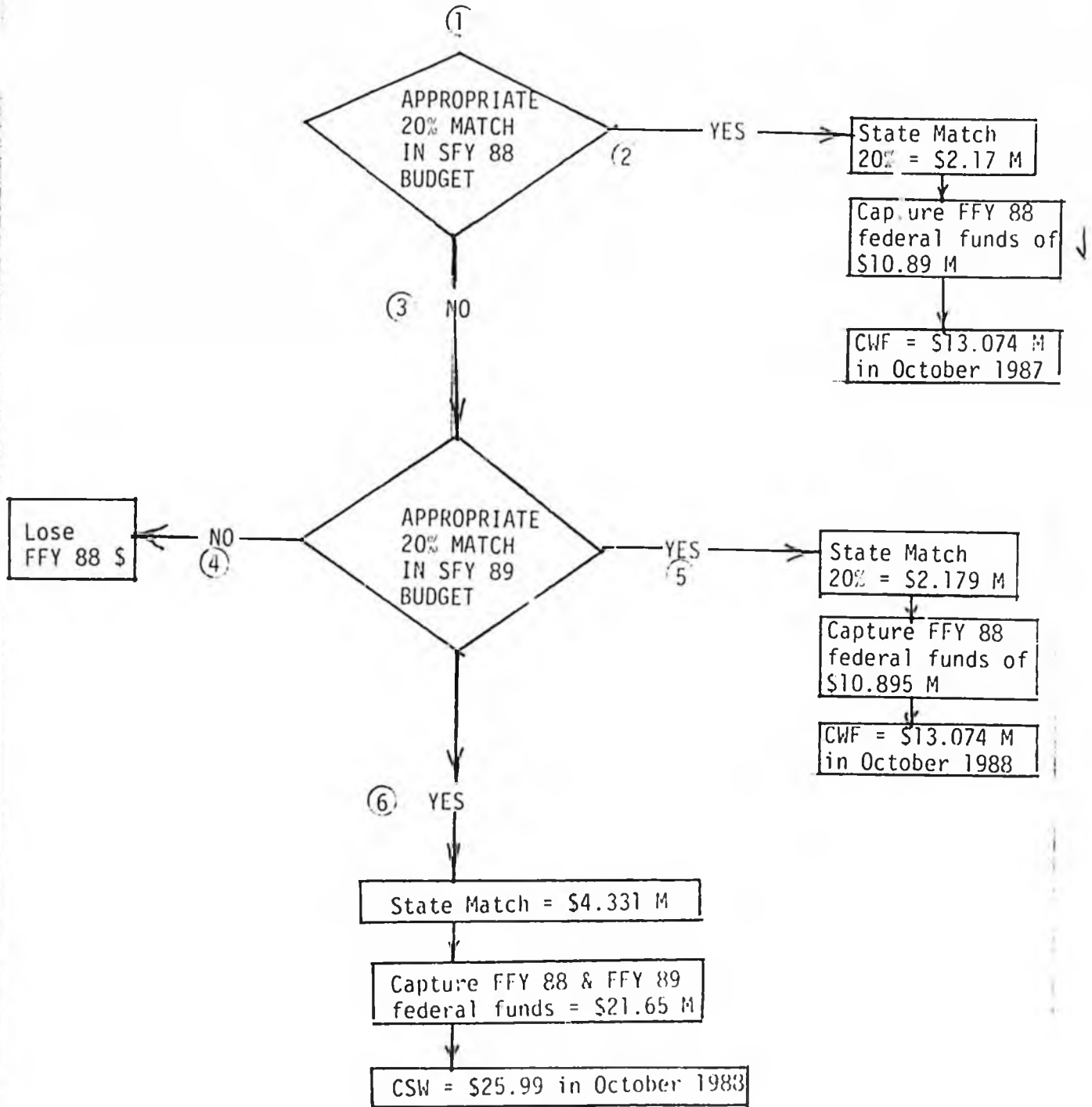


EXHIBIT I

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	\$387,089
TOTALS:	\$177,161,685

Grant program

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

COMMITTEE SCHEDULE

TUESDAY, MARCH 31, 1987

SB 133 - General Grant Land Entitlements

HB 90 - Procedures; Revenue Sharing/Municipal Assistance

THURSDAY, April 2, 1987

HB 16 - State Park System Use Fees/Concessions

SB 155 - Relocation of Utility Facilities

All meetings in the Butrovich Room, 3:30 TO 5 P.M.

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

TO: Senate C&RA Members

March 17, 1987

FROM: Senate C&RA Staff

A handwritten signature in dark ink, appearing to be "MEL".

RE: SB 167 - "An Act relating to grants for water supply, sewage, and solid waste facilities; establishing a revolving loan fund; and providing for an effective date."

SB 167 would set up the legal structure and state matching funds necessary for Alaska to take advantage of the federal funds authorized under the reenactment of the federal clean water act that Congress has recently passed.

Enclosed in this packet is an analysis of SB 167 by DEC, a position paper by DEC, three fiscal notes, and a list of communities that have benefited from this program in the past.

The three fiscal notes each represent a different possible scenario. Gary Haden of DEC will explain the fiscal notes. Commissioner Kelso and the bill's prime sponsor, Senator Halford are also expected to testify.

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.

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.

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, 198~~6~~.

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. Reallotment of unobligated funds
 - A. Administrator (EPA) will reallot 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 75 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

ENCLOSURE 1

CRITERIA SYSTEM for Allocation of Federal Water Pollution Control Grant Funds

The Federal Water Pollution Control Act Amendments of 1972 (PL 92-500), as amended by the Municipal Wastewater Treatment Construction Grants Amendment of 1981 (PL 97-117), provide grant funds to assist municipalities with facility plans, engineering designs, and project construction for water pollution control facilities. These funds are allocated to the State of Alaska for obligation through the Alaska Department of Environmental Conservation (ADEC). The Department develops an annual priority list for determining which projects will receive grants.

The Project Priority List is developed using a criteria system to numerically rank eligible projects in accordance with Environmental Protection Agency (EPA) requirements. These requirements stipulate that type of project, severity of pollution, project step and continuity, receiving water usage, existing pollution affected, public health and environmental hazards, and the effect on water quality standards be considered in developing the priority list.

The point values for the criteria system have been revised in accordance with PL 97-117 and have been used to prepare the Priority List for allocation of available federal funds. Each project appearing on the Priority List is assigned appropriate points in each of eight categories. The points for each category are added and the total is used to determine the project rank on the Priority List. The project with the highest point total is the highest priority project.

PROGRAM POSSIBILITIES FOR FY87

To date, Congress has provided only 75% of the total FFY86 funding. For FFY87 there is neither enabling legislation nor funding to continue the program. We anticipate that one of the following three scenarios will develop.

- 1) No further FY86 funding will be made available. The Clean Water Act will be reauthorized and changed to correspond to President Reagan's proposal. The only projects in Alaska eligible for this funding would be the remaining segments of the Anchorage Pt. Woronzof Treatment Plant Upgrade and the Juneau Mendenhall Treatment Plant Upgrade.
- 2) No further FY86 funding will be made available. The Clean Water Act will be reauthorized and will provide funding using the same guidelines as are now in existence.
- 3) Further FY86 funding will be made available. The Clean Water Act will be reauthorized and will provide funding using the same guidelines as are now in existence.

For any of the three scenarios the EPA grant amount should be considered a maximum amount subject to later eligibility determination. Under current regulations, only project costs attributable to existing population at the time of the grant are eligible for EPA grant reimbursement. Costs attributable to future projected populations are ineligible. Determination of the exact eligible amount is a complex procedure that will require detailed examination of a completed facility plan and plans and specifications.

Priority List Procedures

The procedures for funding projects on the priority list will vary depending upon whether sufficient funding is available for the entire list.

If all the money which is planned to be available actually becomes available the procedure will be as follows:

Two separate lists will be maintained. The first or fundable list will include all projects expected to be ready to receive a grant during Federal fiscal year 87 (FFY 87). Projects will be ranked in order of descending score as determined by the priority system scoring procedure.

The second or planning list will include those projects which are not expected to be ready to receive funding in FY 87. It is composed of projects not yet ready for construction or for which a draft facility plan was not submitted prior to announcement of the August 1986 public hearing.

All projects on the fundable list will have until June 1, 1987 to submit a completed application. A completed application in this priority list means a grantee has completed the application forms; the final facility plan has been approved (including publication of any NEPA requirements); the plans and specifications have been approved for a construction grant; and any other information required under 40 CFP 35.2040 has been substantially complied with.

After June 1, 1987 all projects on both lists will have an opportunity to submit an application for a grant. On August 1, 1987 those projects for which a complete application has been submitted will be considered for funding. Those with the highest amount of points, consistent with the amount of funding available, will be certified. No other opportunity for funding will be available during FY 87.

If sufficient funding does not exist to provide grants to all projects which are ready for funding, the priority list procedure will be as follows:

Three lists will be maintained. The first list or fundable list will include all the highest scoring projects which are expected to be ready to receive funding during FY87 and for which funding is expected to be available. The second list (the contingency list) will include the remaining projects which are expected to be ready to receive funding, but for which sufficient funding is not expected to be available. The third list is the planning list of projects which are not expected to be ready to receive funding and for which funding is not expected to be available.

Projects on the fundable portion will have until March 31, 1987 to submit a completed application. If any projects on the fundable portion have not submitted a completed application by that date, then those projects will be

by-passed. An opportunity to submit an application will be extended, in turn, to the next projects on the contingency list. Prior to June 1, 1987, if it becomes clear that the next project will not be able to submit a completed application by June 1, then that project will also be by-passed and the next project on the list will be extended the opportunity to submit a completed application. The process will be continued until June 1.

After June 1, 1987, all projects on both lists will have an opportunity to submit an application for a grant. On August 1, 1987, those projects for which a complete application has been submitted will be considered for funding. Those with the highest amount of points, consistent with the amount of funding available, will be certified. No other opportunity for funding will be available during FY 87.

At any time which a project is to be by-passed, the community with that project will be notified and given an opportunity to provide reasons why the project should not be by-passed.

Tie Scores

If two projects are equal in scoring, the following sequence will be used to rank one project ahead of the other.

1. If one project requires an earlier construction date, as a result of a compliance agreement or other legal order from EPA or ADEC, that project will be placed ahead of the other.
2. The project with an earlier anticipated date for submitting a completed application will be placed ahead of the other.
3. If both projects are from the same City, the City may request that one be placed ahead of the other.
4. The individual scores from each category of the criteria will be compared, beginning with item 1 and continuing until a difference is found. The project with the highest score in the individual category will be placed first.

This criteria system and the priority list developed using these criteria are subject to annual review and comment at public hearings. These hearings are announced through individual mailings and public notice in newspapers a minimum of 30 days prior to the first scheduled hearing. Public input regarding the preparation of the priority list is welcomed.

Scoring of Projects

Project priority rankings are determined according to the following eight categories. Appropriate points are assigned to arrive at a point total and priority ranking for each project:

I. Project Component

In determining the relative priority of the various project components ADEC emphasizes the importance of maximizing the benefits to be achieved from limited federal funds. Project components required to achieve compliance with State water quality standards and to protect public health will receive higher consideration than project components required by federal law, which may provide treatment beyond what is required to protect health or the environment.

Hence, secondary or advanced treatment projects, when required in order to satisfy the NPDES permit or other portions of federal law, may be phased on the Priority List so that the initial phase would meet water quality and health considerations, and the final phase would be constructed at a later date, subject to availability of funds. Projects for collection sewers, storm sewers, and correction of combined sewer overflows are not considered eligible project categories for use of funds allocated to Alaska.

The Governor may determine that up to 20 percent of the State's allotment may be used for other categories such as major sewer system rehabilitation or new collector sewers. If sufficient interest exists and fundings available, we will consider this option in the public hearings later this year.

Projects are assigned a point total by multiplying the point value of the project component by the percentage of cost that a specific component bears to the total eligible project cost and then adding the point values computed for the components.

	<u>Components</u>	<u>Points</u>
a)	Initial phase(s) of treatment discharging into into marine waters required to protect public health or achieve water quality standards; secondary treatment for discharge into fresh water; or any treatment required prior to discharge to groundwater (no existing sewage treatment facilities).	300
b)	Rehabilitation or expansion of treatment facilities or correction of infiltration/inflow of sewage collection systems where existing conditions are disrupting the efficiency of existing treatment facilities.	250
c)	Correction of infiltration/inflow of sewage collection systems where the required corrections are done in conjunction with a new treatment facility.	200
d)	Construction of new interceptor sewers, pump stations, and appurtenances.	150
e)	Upgrading existing treatment facilities to secondary or advanced wastewater treatment levels when required for reasons other than meeting water quality standards or protection of public health.	100

II. Project Water Quality Need

To date, ADEC has not completed an approved water quality management plan. However, information that will be the basis for this plan was taken into consideration in allocating points to projects in this category (points awarded for one section only).

	<u>Components</u>	<u>Points</u>
a)	Project necessary to treat or eliminate a discharge contributing to a documented violation of the Alaska Water Quality Standards. Documented means a report has been provided showing the results of a water quality sample which violates a water quality standard. A treatment plant which is currently overloaded is presumed to continue to violate Water Quality Standards.	400

	<u>Components</u>	<u>Points</u>
b)	Project necessary to minimize or eliminate documented "non-point source" contamination of groundwater or surface waters resulting from subsurface sewage disposal systems.	300
c)	Project will result in a measurable enhancement of water quality but is not required to meet the Alaska Water Quality Standards.	200
d)	Project necessary to prevent potential water pollution problems or where the environment may be adversely affected due to the impact of accelerated development or industrial growth.	100

III. Regulatory Emphasis for Violation of Water Quality Standards

a)	Project necessary to comply with the effluent limitations contained in an NPDES permit for a point source discharge.	30
b)	Notice of Violation or compliance order issued by ADEC or EPA.	50
c)	Charges filed by State Attorney General or legal counsel for EPA.	100

IV. Public Health Emphasis

	Verification from a State or local health official that a project is necessary to avert or correct a public health hazard.	100
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V. Receiving Water Usage - Adversely Affected by Existing Discharge

This project will eliminate the adverse effect. (Score from highest point value only).

a) Freshwater/Groundwater

- | | |
|--|-----|
| 1) Drinking and food processing | 100 |
| 2) Propagation of fish and shellfish used as a food source | 50 |
| 3) Water contact recreation | 20 |

b) Marine Water/Estuaries

- | | |
|---|----|
| 1) Propagation of fish and shellfish as a food source | 50 |
| 2) Water contact recreation | 20 |

VI. Project Continuity - Points awarded for each section, if applicable.

	<u>Components</u>	<u>Points</u>
a)	A facility plan has been developed and submitted to ADEC for approval or has already been approved.	70
b)	Construction plans and specifications have been developed and submitted to ADEC for review or have already been reviewed.	70
c)	Project is part of segmentation package which has been approved by EPA	50

VII. Existing Population Benefitting from Project

a)	under 1,000	30
b)	between 1,000 and 3,500	50
c)	between 3,500 and 10,000	70
d)	over 10,000	100

VIII. Alternative or Innovative

Step 2 & 3 or 3 projects identified in an approved facility plan as containing alternative or innovative technology components shall qualify for 30 points in addition to all other points awarded to the project	30
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I
State Revolving Loan Funds
Text of Law

"TITLE VI—STATE WATER POLLUTION CONTROL REVOLVING FUNDS

"SEC. 601. GRANTS TO STATES FOR ESTABLISHMENT OF REVOLVING FUNDS.

"(a) GENERAL AUTHORITY.—Subject to the provisions of this title, the Administrator shall make capitalization grants to each State for the purpose of establishing a water pollution control revolving fund for providing assistance (1) for construction of treatment works (as defined in section 212 of this Act) which are publicly owned, (2) for implementing a management program under section 319, and (3) for developing and implementing a conservation and management plan under section 320.

"(b) SCHEDULE OF GRANT PAYMENTS.—The Administrator and each State shall jointly establish a schedule of payments under which the Administrator will pay to the State the amount of each grant to be made to the State under this title. Such schedule shall be based on the State's intended use plan under section 606(c) of this Act, except that—

"(1) such payments shall be made in quarterly installments, and

"(2) such payments shall be made as expeditiously as possible, but in no event later than the earlier of—

"(A) 8 quarters after the date such funds were obligated by the State, or

"(B) 12 quarters after the date such funds were allotted to the State.

"SEC. 602. CAPITALIZATION GRANT AGREEMENTS.

"(a) GENERAL RULE.—To receive a capitalization grant with funds made available under this title and section 205(m) of this Act, a State shall enter into an agreement with the Administrator which shall include but not be limited to the specifications set forth in subsection (b) of this section.

"(b) SPECIFIC REQUIREMENTS.—The Administrator shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administrator that—

"(1) the State will accept grant payments with funds to be made available under this title and section 205(m) of this Act in accordance with a payment schedule established jointly by the Administrator under section 601(b) of this Act and will deposit all such payments in the water pollution control revolving fund established by the State in accordance with this title;

"(2) the State will deposit in the fund from State moneys an amount equal to at least 20 percent of the total amount of all capitalization grants which will be made to the State with funds to be made available under this title and section 205(m) of this Act on or before the date on which each quarterly grant payment will be made to the State under this title;

"(3) the State will enter into binding commitments to provide assistance in accordance with the requirements of this title in an amount equal to 120 percent of the amount of each such grant payment within 1 year after the receipt of such grant payment;

"(4) all funds in the fund will be expended in an expeditious and timely manner;

"(5) all funds in the fund as a result of capitalization grants under this title and section 205(m) of this Act will first be used to assure maintenance of progress, as determined by the Governor of the State, toward compliance with enforceable deadlines, goals, and requirements of this Act, including the municipal compliance deadline;

"(6) treatment works eligible under section 603(c)(1) of this Act which will be constructed in whole or in part before fiscal year 1995 with funds directly made available by capitalization grants under this title and section 205(m) of this Act will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 201(b), 201(g)(1), 201(g)(2), 201(g)(3), 201(g)(5), 201(g)(6), 201(n)(1), 201(o), 204(a)(1), 204(a)(2), 204(b)(1), 204(d)(2), 211, 218, 511(c)(1), and 513 of this Act in the same manner as treatment works constructed with assistance under title II of this Act;

"(7) in addition to complying with the requirements of this title, the State will commit or expend each quarterly grant payment which it will receive under this title in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State;

"(8) in carrying out the requirements of section 606 of this Act, the State will use accounting, audit, and fiscal procedures conforming to generally accepted government accounting standards;

"(9) the State will require as a condition of making a loan or providing other assistance, as described in section 603(d) of this Act, from the fund that the recipient of such assistance will maintain project accounts in accordance with generally accepted government accounting standards; and

"(10) the State will make annual reports to the Administrator on the actual use of funds in accordance with section 606(d) of this Act.

"SEC. 603. WATER POLLUTION CONTROL REVOLVING LOAN FUNDS.

"(a) REQUIREMENTS FOR OBLIGATION OF GRANT FUNDS.—Before a State may receive a capitalization grant with funds made available under this title and section 205(m) of this Act, the State shall first establish a water pollution control revolving fund which complies with the requirements of this section.

"(b) ADMINISTRATION.—Each State water pollution control revolving fund shall be administered by an instrumentality of the State with such powers and limitations as may be required to operate such fund in accordance with the requirements and objectives of this Act.

"(c) PROJECTS ELIGIBLE FOR ASSISTANCE.—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, interstate, or State agency for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and

implementation of a conservation and management plan under section 320 of this Act. The fund shall be established, maintained, and credited with repayments, and the fund balance shall be available in perpetuity for providing such financial assistance.

"(d) TYPES OF ASSISTANCE.—Except as otherwise limited by State law, a water pollution control revolving fund of a State under this section may be used only—

"(1) to make loans, on the condition that—

"(A) such loans are made at or below market interest rates, including interest free loans, at terms not to exceed 20 years;

"(B) annual principal and interest payments will commence not later than 1 year after completion of any project and all loans will be fully amortized not later than 20 years after project completion;

"(C) the recipient of a loan will establish a dedicated source of revenue for repayment of loans; and

"(D) the fund will be credited with all payments of principal and interest on all loans;

"(2) to buy or refinance the debt obligation of municipalities and intermunicipal and interstate agencies within the State at or below market rates, where such debt obligations were incurred after March 7, 1985;

"(3) to guarantee, or purchase insurance for, local obligations where such action would improve credit market access or reduce interest rates;

"(4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the fund;

"(5) to provide loan guarantees for similar revolving funds established by municipalities or intermunicipal agencies;

"(6) to earn interest on fund accounts; and

"(7) for the reasonable costs of administering the fund and conducting activities under this title, except that such amounts shall not exceed 4 percent of all grant awards to such fund under this title.

"(e) LIMITATION TO PREVENT DOUBLE BENEFITS.—If a State makes, from its water pollution revolving fund, a loan which will finance the cost of facility planning and the preparation of plans, specifications, and estimates for construction of publicly owned treatment works, the State shall ensure that if the recipient of such loan receives a grant under section 201(g) of this Act for construction of such treatment works and an allowance under section 201(i)(1) of this Act for non-Federal funds expended for such planning and preparation, such recipient will promptly repay such loan to the extent of such allowance.

"(f) CONSISTENCY WITH PLANNING REQUIREMENTS.—A State may provide financial assistance from its water pollution control revolving fund only with respect to a project which is consistent with plans, if any, developed under sections 205(j), 208, 303(e), 319, and 320 of this Act.

"(g) PRIORITY LIST REQUIREMENT.—The State may provide financial assistance from its water pollution control revolving fund only

with respect to a project for construction of a treatment works described in subsection (c)(1) if such project is on the State's priority list under section 216 of this Act. Such assistance may be provided regardless of the rank of such project on such list.

"(h) ELIGIBILITY OF NON-FEDERAL SHARE OF CONSTRUCTION GRANT PROJECTS.—A State water pollution control revolving fund may provide assistance (other than under subsection (d)(1) of this section) to a municipality or intermunicipal or interstate agency with respect to the non-Federal share of the costs of a treatment works project for which such municipality or agency is receiving assistance from the Administrator under any other authority only if such assistance is necessary to allow such project to proceed.

"SEC. 604. ALLOTMENT OF FUNDS.

"(a) FORMULA.—Sums authorized to be appropriated to carry out this section for each of fiscal years 1989 and 1990 shall be allotted by the Administrator in accordance with section 205(c) of this Act.

"(b) RESERVATION OF FUNDS FOR PLANNING.—Each State shall reserve each fiscal year 1 percent of the sums allotted to such State under this section for such fiscal year, or \$100,000, whichever amount is greater, to carry out planning under sections 205(j) and 303(e) of this Act.

"(c) ALLOTMENT PERIOD.—

"(1) PERIOD OF AVAILABILITY FOR GRANT AWARD.—Sums allotted to a State under this section for a fiscal year shall be available for obligation by the State during the fiscal year for which sums are authorized and during the following fiscal year.

"(2) REALLOTMENT OF UNOBLIGATED FUNDS.—The amount of any allotment not obligated by the State by the last day of the 2-year period of availability established by paragraph (1) shall be immediately reallocated by the Administrator on the basis of the same ratio as is applicable to sums allotted under title II of this Act for the second fiscal year of such 2-year period. None of the funds reallocated by the Administrator shall be reallocated to any State which has not obligated all sums allotted to such State in the first fiscal year of such 2-year period.

"SEC. 605. CORRECTIVE ACTION.

"(a) NOTIFICATION OF NONCOMPLIANCE.—If the Administrator determines that a State has not complied with its agreement with the Administrator under section 602 of this Act or any other requirement of this title, the Administrator shall notify the State of such noncompliance and the necessary corrective action.

"(b) WITHHOLDING OF PAYMENTS.—If a State does not take corrective action within 60 days after the date a State receives notification of such action under subsection (a), the Administrator shall withhold additional payments to the State until the Administrator is satisfied that the State has taken the necessary corrective action.

"(c) REALLOTMENT OF WITHHELD PAYMENTS.—If the Administrator is not satisfied that adequate corrective actions have been taken by the State within 12 months after the State is notified of such actions under subsection (a), the payments withheld from the State by the Administrator under subsection (b) shall be made available for reallocation in accordance with the most recent formula for allotment of funds under this title.

"SEC. 606. AUDITS, REPORTS, AND FISCAL CONTROLS; INTENDED USE PLAN.

"(a) FISCAL CONTROL AND AUDITING PROCEDURES.—Each State electing to establish a water pollution control revolving fund under this title shall establish fiscal controls and accounting procedures sufficient to assure proper accounting during appropriate accounting periods for—

"(1) payments received by the fund;

"(2) disbursements made by the fund; and

"(3) fund balances at the beginning and end of the accounting period.

"(b) ANNUAL FEDERAL AUDITS.—The Administrator shall, at least on an annual basis, conduct or require each State to have independently conducted reviews and audits as may be deemed necessary or appropriate by the Administrator to carry out the objectives of this section. Audits of the use of funds deposited in the water pollution revolving fund established by such State shall be conducted in accordance with the auditing procedures of the General Accounting Office, including chapter 75 of title 31, United States Code.

"(c) INTENDED USE PLAN.—After providing for public comment and review, each State shall annually prepare a plan identifying the intended uses of the amounts available to its water pollution control revolving fund. Such intended use plan shall include, but not be limited to—

"(1) a list of those projects for construction of publicly owned treatment works on the State's priority list developed pursuant to section 216 of this Act and a list of activities eligible for assistance under sections 319 and 320 of this Act;

"(2) a description of the short- and long-term goals and objectives of its water pollution control revolving fund;

"(3) information on the activities to be supported, including a description of project categories, discharge requirements under titles III and IV of this Act, terms of financial assistance, and communities served;

"(4) assurances and specific proposals for meeting the requirements of paragraphs (3), (4), (5), and (6) of section 602(b) of this Act; and

"(5) the criteria and method established for the distribution of funds.

"(d) ANNUAL REPORT.—Beginning the first fiscal year after the receipt of payments under this title, the State shall provide an annual report to the Administrator describing how the State has met the goals and objectives for the previous fiscal year as identified in the plan prepared for the previous fiscal year pursuant to subsection (c), including identification of loan recipients, loan amounts, and loan terms and similar details on other forms of financial assistance provided from the water pollution control revolving fund.

"(e) ANNUAL FEDERAL OVERSIGHT REVIEW.—The Administrator shall conduct an annual oversight review of each State plan prepared under subsection (c), each State report prepared under subsection (d), and other such materials as are considered necessary and appropriate in carrying out the purposes of this title. After reasonable notice by the Administrator to the State or the recipient of a loan from a water pollution control revolving fund, the State or loan recipient shall make available to the Administrator such

records as the Administrator reasonably requires to review and determine compliance with this title.

"(f) **APPLICABILITY OF TITLE II PROVISIONS.**—Except to the extent provided in this title, the provisions of title II shall not apply to grants under this title.

"SEC. 607. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated to carry out the purposes of this title the following sums:

"(1) \$1,200,000,000 per fiscal year for each of fiscal years 1989 and 1990;

"(2) \$2,400,000,000 for fiscal year 1991;

"(3) \$1,800,000,000 for fiscal year 1992;

"(4) \$1,200,000,000 for fiscal year 1993; and

"(5) \$600,000,000 for fiscal year 1994."

(b) **STATE-OPTION TO USE TITLE II FUNDS.**—Section 205 is amended by adding at the end thereof the following new subsection:

"(m) **DISCRETIONARY DEPOSITS INTO STATE WATER POLLUTION CONTROL REVOLVING FUNDS.**—

"(1) **FROM CONSTRUCTION GRANT ALLOTMENTS.**—In addition to any amounts deposited in a water pollution control revolving fund established by a State under title VI, upon request of the Governor of such State, the Administrator shall make available to the State for deposit, as capitalization grants, in such fund in any fiscal year beginning after September 30, 1986, such amount of the amounts allotted to such State under this section for such fiscal year as the Governor considers appropriate; except that (A) in fiscal year 1987, such deposit may not exceed 50 percent of the amounts allotted to such State under this section for such fiscal year, and (B) in fiscal year 1988, such deposit may not exceed 75 percent of the amount allotted to such State under this section for this fiscal year.

"(2) **NOTICE REQUIREMENT.**—The Governor of a State may make a request under paragraph (1) for a deposit into the water pollution control revolving fund of such State—

"(A) in fiscal year 1987 only if no later than 90 days after the date of the enactment of this subsection, and

"(B) in each fiscal year thereafter only if 90 days before the first day of such fiscal year,

the State provides notice of its intent to make such deposit.

"(3) **EXCEPTION.**—Sums reserved under section 205(j) of this Act shall not be available for obligation under this subsection."

(c) **REPORT TO CONGRESS.**—Section 516 is amended by adding at the end thereof the following new subsection:

"(g) **STATE REVOLVING FUND REPORT.**—

"(1) **IN GENERAL.**—Not later than February 10, 1990, the Administrator shall submit to Congress a report on the financial status and operations of water pollution control revolving funds established by the States under title VI of this Act. The Administrator shall prepare such report in cooperation with the States, including water pollution control agencies and other water pollution control planning and financing agencies.

"(2) CONTENTS.—The report under this subsection shall also include the following:

"(A) an inventory of the facilities that are in significant noncompliance with the enforceable requirements of this Act;

"(B) an estimate of the cost of construction necessary to bring such facilities into compliance with such requirements;

"(C) an assessment of the availability of sources of funds for financing such needed construction, including an estimate of the amount of funds available for providing assistance for such construction through September 30, 1999, from the water pollution control revolving funds established by the States under title VI of this Act;

"(D) an assessment of the operations, loan portfolio, and loan conditions of such revolving funds;

"(E) an assessment of the effect on user charges of the assistance provided by such revolving funds compared to the assistance provided with funds appropriated pursuant to section 207 of this Act; and

"(F) an assessment of the efficiency of the operation and maintenance of treatment works constructed with assistance provided by such revolving funds compared to the efficiency of the operation and maintenance of treatment works constructed with assistance provided under section 201 of this Act."

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

47-167 100 SHEETS



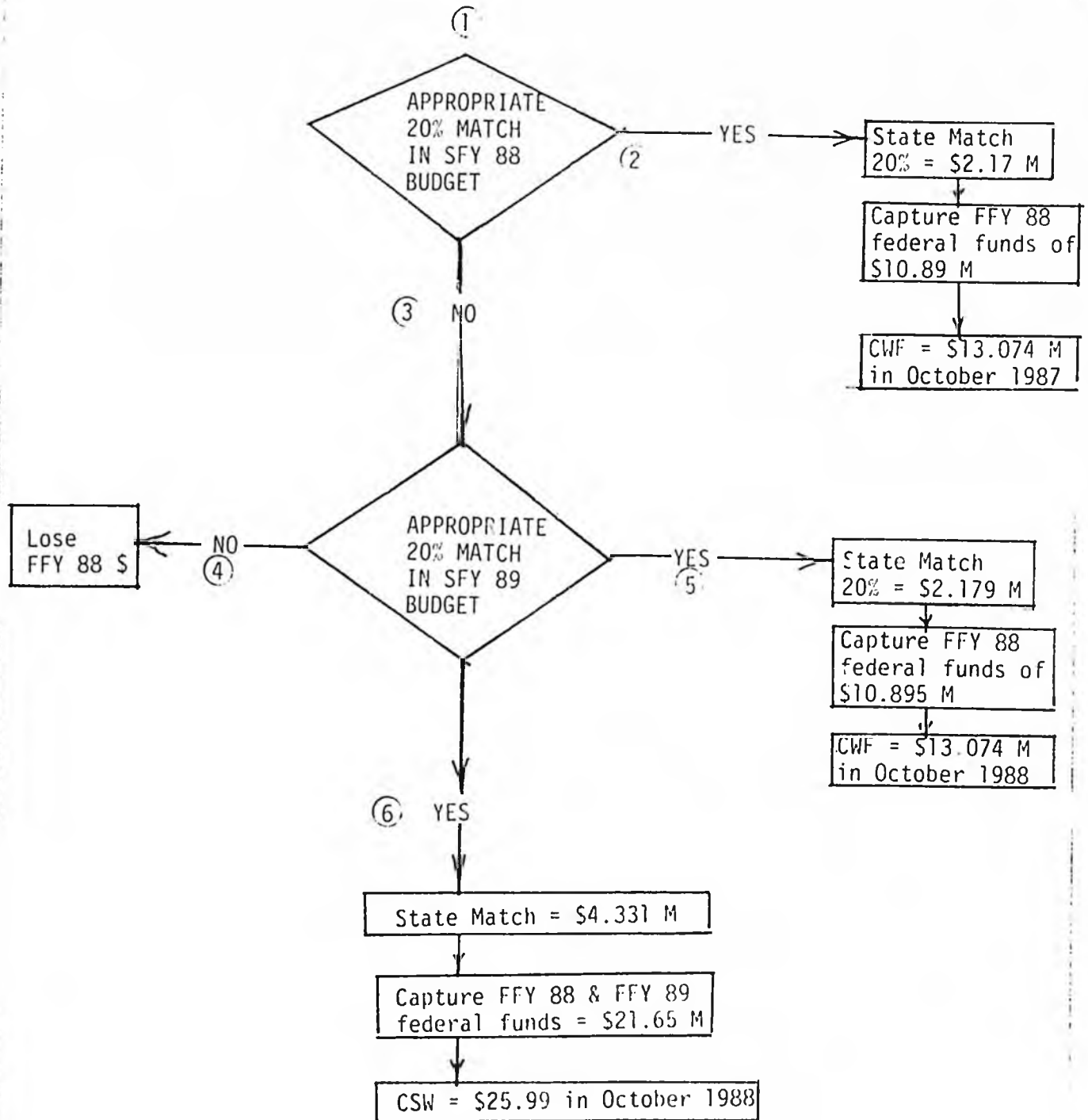
CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

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	\$ 3.63 M	

STATE MATCH
DECISION TREE

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



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

1 IN THE SENATE

BY HALFORD

2

SENATE BILL NO. 167

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, and solid waste facilities; establishing a revolving loan fund; and providing for an effective date."

7

8

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 water quality enhancement program and [,] water supply, sewage [SEWERAGE], and solid waste facilities fund created in the department to carry out the purposes of this section.

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

15

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

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

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

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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 deter-
7 mine the eligible costs in accordance with (d) of this section. A
8 municipality shall construct solid waste processing or disposal
9 facilities financed by grants under this section according to plans
10 and 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, federal capitalization
16 grants, loan repayments, interest received from loan repayments, and
17 interest received from investment of money in the clean water fund.

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

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

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

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

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

29 (3) constructing, equipping, modifying, improving, and

ck - if other than municipality can access fund

1 expanding public water supply, treatment, and distribution systems;

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

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

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

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

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

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

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

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

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

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

25 (3) standards regarding the technical and economic viability
26 and revenue self-sufficiency of eligible projects;

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

28 (5) terms of loans; and

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

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

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

9 (l) Loan repayments and interest earned by loans from the Alaska
10 clean water fund must be deposited in the fund.

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

14 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

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
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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

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	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	\$ 3.63 M		

3-17-87

SB167

STATE MATCH DECISION TREE

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

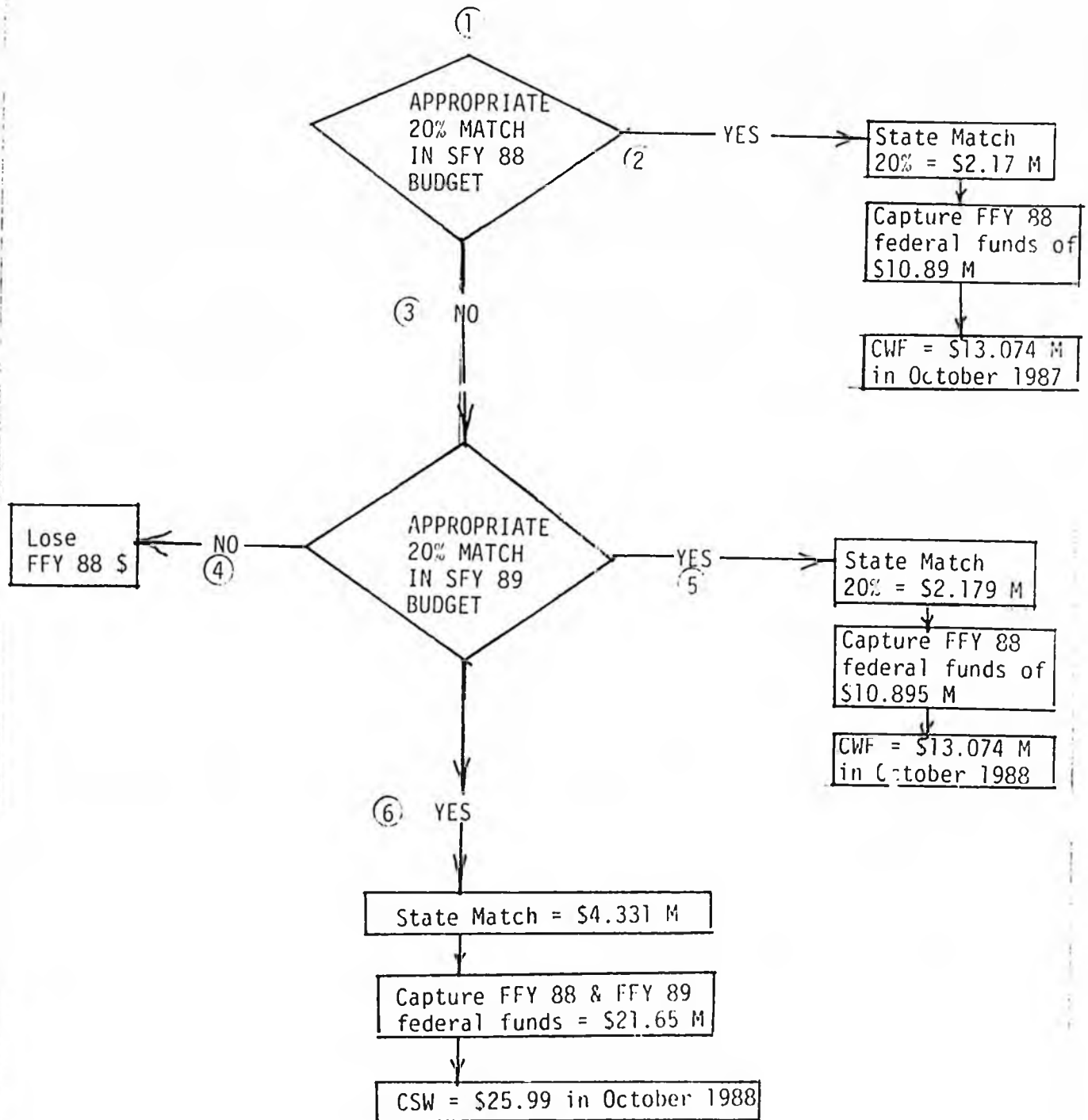


EXHIBIT I

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	\$387,089
TOTALS:	\$177,161,685

February 4, 1987

ISSUE ANALYSIS

STATE MATCHING FOR REVOLVING LOAN FUND

ISSUE: Should the Department of Environmental Conservation pursue an appropriation in the FY88 budget to match a federal capitalization grant?

INTRODUCTION

With reauthorization of the Clean Water Act, federal money will be available to Alaska for a State Revolving Loan Fund. One requirement for receiving the federal money is that it be matched with 20% State funds. The fund capitalization would be as presented in Table 1 and Figure 2 (attached).

Because the federal fiscal year (FFY) runs from October 1 through September 30, it spans two state fiscal years (SFY). FFY88 will be the first year that Alaska will request a capitalization grant; therefore, a decision needs to be made on whether to seek funding for the State match in the SFY88 budget.

SFY88 APPROPRIATION?

YES

- Easier to explain: As a bill passes through legislative committees it will be very easy to explain a fiscal note that shows capitalizing the funds in the same year the federal money is available. If there is no need for any money in SFY88, one might ask "...why should this bill pass this session."
- Interest: By capitalizing the loan fund in SFY88, the fund will accumulate interest for one year (approximately \$650,000). This has the advantage of providing for administrative expenses from money already made. The administrative costs would be forward funded.
- Less Risk: If the bill and appropriation do not pass this session, there will be another opportunity to capture the \$10.89 million in federal funds. However, if no attempt is made this session, there will only be one opportunity, and the \$10.89 million could be lost.
- Less Needed in SFY89: If a match is requested in SFY88, \$2.18 would be needed. However, if the match was delayed until SFY89, the match for two years would be needed, or \$4.33.

NO

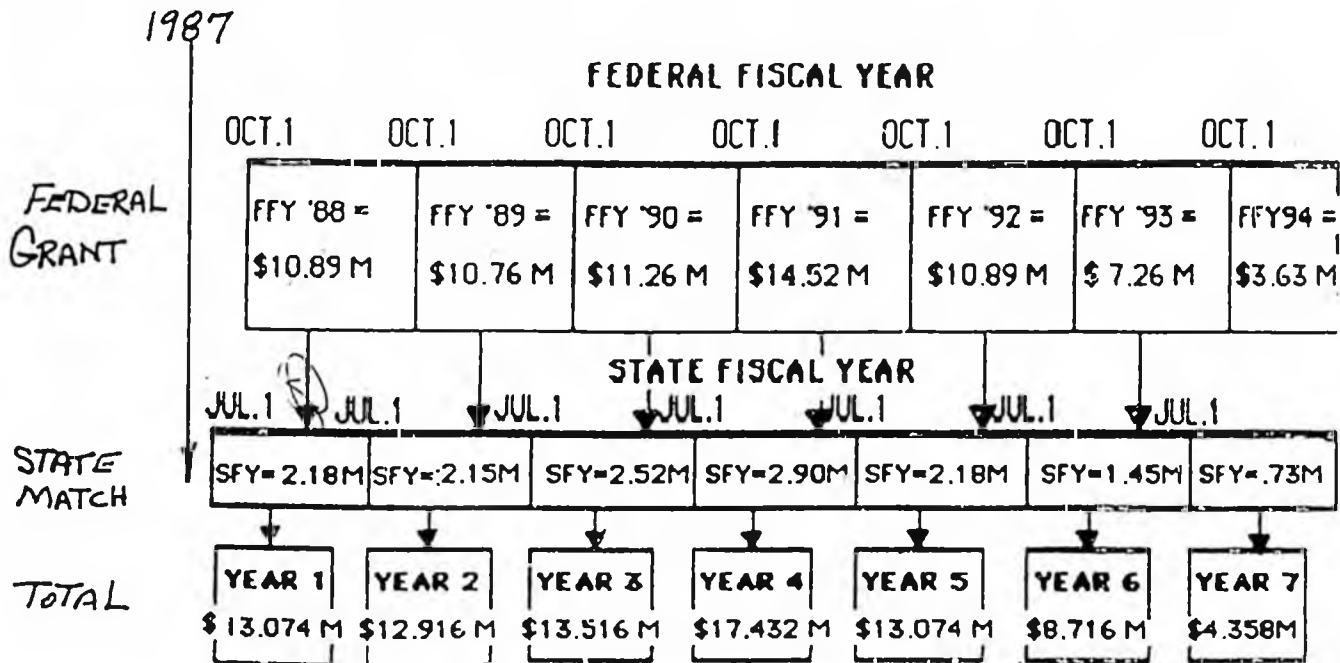
- State Financial Crisis: Because the State is having to deal with declining revenues and a deficit, there will be less funds to go around.

RECOMMENDATION

It is recommended the Department pursue funding in the FY88 budget to match the federal capitalization grant.

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
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94	\$3,631,800	\$726,360	\$4,358,160
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720



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 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : _____

Publish Date : _____

Revision Date: _____

Agency Affected : _____

Title : _____

BRU : _____

Sponsor : _____

Components : _____

Requestor : _____

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	2179.0	2152.7	2252.7	2905.4	2179.0	1452.7
FEDERAL FUNDS	10895.4	10763.6	11263.6	14527.2	10895.4	7262.6
OTHER						
TOTAL	13074.4	12916.3	13516.3	17432.6	13074.4	8716.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by : _____

Phone : _____

Division : _____

Date : _____

Approved by Commissioner : _____

Date : _____

Agency : _____

Distribution (by preparer) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

"TITLE VI—STATE WATER POLLUTION CONTROL: REVOLVING FUNDS

"SEC. 601. GRANTS TO STATES FOR ESTABLISHMENT OF REVOLVING FUNDS.

"(a) GENERAL AUTHORITY.—Subject to the provisions of this title, the Administrator shall make capitalization grants to each State for the purpose of establishing a water pollution control revolving fund for providing assistance (1) for construction of treatment works (as defined in section 212 of this Act) which are publicly owned, (2) for implementing a management program under section 319, and (3) for developing and implementing a conservation and management plan under section 320.

"(b) SCHEDULE OF GRANT PAYMENTS.—The Administrator and each State shall jointly establish a schedule of payments under which the Administrator will pay to the State the amount of each grant to be made to the State under this title. Such schedule shall be based on the State's intended use plan under section 606(c) of this Act, except that—

"(1) such payments shall be made in quarterly installments, and

"(2) such payments shall be made as expeditiously as possible, but in no event later than the earlier of—

"(A) 8 quarters after the date such funds were obligated by the State, or

"(B) 12 quarters after the date such funds were allotted to the State.

"SEC. 602. CAPITALIZATION GRANT AGREEMENTS.

"(a) GENERAL RULE.—To receive a capitalization grant with funds made available under this title and section 205(m) of this Act a State shall enter into an agreement with the Administrator which shall include but not be limited to the specifications set forth in subsection (b) of this section.

"(b) SPECIFIC REQUIREMENTS.—The Administrator shall enter into an agreement under this section with a State only after the State has established to the satisfaction of the Administrator that—

"(1) the State will accept grant payments with funds to be made available under this title and section 205(m) of this Act in accordance with a payment schedule established jointly by the Administrator under section 601(b) of this Act and will deposit all such payments in the water pollution control revolving fund established by the State in accordance with this title;

"(2) the State will deposit in the fund from State moneys an amount equal to at least 20 percent of the total amount of all capitalization grants which will be made to the State with funds to be made available under this title and section 205(m) of this Act on or before the date on which each quarterly grant payment will be made to the State under this title;

"(3) the State will enter into binding commitments to provide assistance in accordance with the requirements of this title in an amount equal to 120 percent of the amount of each such grant payment within 1 year after the receipt of such grant payment;

"(4) all funds in the fund will be expended in an expeditious and timely manner;

"(5) all funds in the fund as a result of capitalization grants under this title and section 205(m) of this Act will first be used to assure maintenance of progress, as determined by the Governor of the State, toward compliance with enforceable deadlines, goals, and requirements of this Act, including the municipal compliance deadline;

"(6) treatment works eligible under section 603(c)(1) of this Act which will be constructed in whole or in part before fiscal year 1995 with funds directly made available by capitalization grants under this title and section 205(m) of this Act will meet the requirements of, or otherwise be treated (as determined by the Governor of the State) under sections 201(b), 201(g)(1), 201(g)(2), 201(g)(3), 201(g)(5), 201(g)(6), 201(n)(1), 201(o), 204(a)(1), 204(a)(2), 204(b)(1), 204(d)(2), 211, 218, 511(c)(1), and 518 of this Act in the same manner as treatment works constructed with assistance under title II of this Act;

"(7) in addition to complying with the requirements of this title, the State will commit or expend each quarterly grant payment which it will receive under this title in accordance with laws and procedures applicable to the commitment or expenditure of revenues of the State;

"(8) in carrying out the requirements of section 606 of this Act, the State will use accounting, audit, and fiscal procedures conforming to generally accepted government accounting standards;

"(9) the State will require as a condition of making a loan or providing other assistance, as described in section 603(d) of this Act, from the fund that the recipient of such assistance will maintain project accounts in accordance with generally accepted government accounting standards; and

"(10) the State will make annual reports to the Administrator on the actual use of funds in accordance with section 606(d) of this Act.

"SEC. 601. WATER POLLUTION CONTROL REVOLVING LOAN FUNDS.

"(a) REQUIREMENTS FOR OBLIGATION OF GRANT FUNDS.—Before a State may receive a capitalization grant with funds made available under this title and section 205(m) of this Act, the State shall first establish a water pollution control revolving fund which complies with the requirements of this section.

"(b) ADMINISTRATION.—Each State water pollution control revolving fund shall be administered by an instrumentality of the State with such powers and limitations as may be required to operate such fund in accordance with the requirements and objectives of this Act.

"(c) PROJECTS ELIGIBLE FOR ASSISTANCE.—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, interstate, or State agency for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and

implementation of a conservation and management plan under section 320 of this Act. The fund shall be established, maintained, and credited with repayments, and the fund balance shall be available in perpetuity for providing such financial assistance.

"(d) TYPES OF ASSISTANCE.—Except as otherwise limited by State law, a water pollution control revolving fund of a State under this section may be used only—

"(1) to make loans, on the condition that—

"(A) such loans are made at or below market interest rates, including interest free loans, at terms not to exceed 20 years;

"(B) annual principal and interest payments will commence not later than 1 year after completion of any project and all loans will be fully amortized not later than 20 years after project completion;

"(C) the recipient of a loan will establish a dedicated source of revenue for repayment of loans; and

"(D) the fund will be credited with all payments of principal and interest on all loans;

"(2) to buy or refinance the debt obligation of municipalities and intermunicipal and interstate agencies within the State at or below market rates, where such debt obligations were incurred after March 7, 1985;

"(3) to guarantee, or purchase insurance for, local obligations where such action would improve credit market access or reduce interest rates;

"(4) as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the State if the proceeds of the sale of such bonds will be deposited in the fund;

"(5) to provide loan guarantees for similar revolving funds established by municipalities or intermunicipal agencies;

"(6) to earn interest on fund accounts; and

"(7) for the reasonable costs of administering the fund and conducting activities under this title, except that such amounts shall not exceed 4 percent of all grant awards to such fund under this title.

"(e) LIMITATION TO PREVENT DOUBLE BENEFITS.—If a State makes, from its water pollution revolving fund, a loan which will finance the cost of facility planning and the preparation of plans, specifications, and estimates for construction of publicly owned treatment works, the State shall ensure that if the recipient of such loan receives a grant under section 201(g) of this Act for construction of such treatment works and an allowance under section 201(1X1) of this Act for non-Federal funds expended for such planning and preparation, such recipient will promptly repay such loan to the extent of such allowance.

"(f) CONSISTENCY WITH PLANNING REQUIREMENTS.—A State may provide financial assistance from its water pollution control revolving fund only with respect to a project which is consistent with plans, if any, developed under sections 205(j), 208, 308(e), 319, and 320 of this Act.

"(g) PRIORITY LIST REQUIREMENT.—The State may provide financial assistance from its water pollution control revolving fund only

with respect to a project for construction of a treatment works described in subsection (c)(1) if such project is on the State's priority list under section 216 of this Act. Such assistance may be provided regardless of the rank of such project on such list.

"(h) ELIGIBILITY OF NON-FEDERAL SHARE OF CONSTRUCTION GRANT PROJECTS.—A State water pollution control revolving fund may provide assistance (other than under subsection (d)(1) of this section) to a municipality or intermunicipal or interstate agency with respect to the non-Federal share of the costs of a treatment works project for which such municipality or agency is receiving assistance from the Administrator under any other authority only if such assistance is necessary to allow such project to proceed.

"SEC. 604. ALLOTMENT OF FUNDS.

"(a) FORMULA.—Sums authorized to be appropriated to carry out this section for each of fiscal years 1989 and 1990 shall be allotted by the Administrator in accordance with section 205(c) of this Act.

"(b) RESERVATION OF FUNDS FOR PLANNING.—Each State shall reserve each fiscal year 1 percent of the sums allotted to such State under this section for such fiscal year, or \$100,000, whichever amount is greater, to carry out planning under sections 205(j) and 303(e) of this Act.

"(c) ALLOTMENT PERIOD.—

"(1) PERIOD OF AVAILABILITY FOR GRANT AWARD.—Sums allotted to a State under this section for a fiscal year shall be available for obligation by the State during the fiscal year for which sums are authorized and during the following fiscal year.

"(2) REALLOTMENT OF UNOBLIGATED FUNDS.—The amount of any allotment not obligated by the State by the last day of the 2-year period of availability established by paragraph (1) shall be immediately reallocated by the Administrator on the basis of the same ratio as is applicable to sums allotted under title II of this Act for the second fiscal year of such 2-year period. None of the funds reallocated by the Administrator shall be reallocated to any State which has not obligated all sums allotted to such State in the first fiscal year of such 2-year period.

"SEC. 605. CORRECTIVE ACTION.

"(a) NOTIFICATION OF NONCOMPLIANCE.—If the Administrator determines that a State has not complied with its agreement with the Administrator under section 602 of this Act or any other requirement of this title, the Administrator shall notify the State of such noncompliance and the necessary corrective action.

"(b) WITHHOLDING OF PAYMENTS.—If a State does not take corrective action within 60 days after the date a State receives notification of such action under subsection (a), the Administrator shall withhold additional payments to the State until the Administrator is satisfied that the State has taken the necessary corrective action.

"(c) REALLOTMENT OF WITHHELD PAYMENTS.—If the Administrator is not satisfied that adequate corrective actions have been taken by the State within 12 months after the State is notified of such actions under subsection (a), the payments withheld from the State by the Administrator under subsection (b) shall be made available for reallocation in accordance with the most recent formula for allotment of funds under this title.

"SEC. 606. AUDITS, REPORTS, AND FISCAL CONTROLS; INTENDED USE PLAN.

"(a) FISCAL CONTROL AND AUDITING PROCEDURES.—Each State electing to establish a water pollution control revolving fund under this title shall establish fiscal controls and accounting procedures sufficient to assure proper accounting during appropriate accounting periods for—

"(1) payments received by the fund;

"(2) disbursements made by the fund; and

"(3) fund balances at the beginning and end of the accounting period.

"(b) ANNUAL FEDERAL AUDITS.—The Administrator shall, at least on an annual basis, conduct or require each State to have independently conducted reviews and audits as may be deemed necessary or appropriate by the Administrator to carry out the objectives of this section. Audits of the use of funds deposited in the water pollution revolving fund established by such State shall be conducted in accordance with the auditing procedures of the General Accounting Office, including chapter 75 of title 31, United States Code.

"(c) INTENDED USE PLAN.—After providing for public comment and review, each State shall annually prepare a plan identifying the intended uses of the amounts available to its water pollution control revolving fund. Such intended use plan shall include, but not be limited to—

"(1) a list of those projects for construction of publicly owned treatment works on the State's priority list developed pursuant to section 216 of this Act and a list of activities eligible for assistance under sections 319 and 320 of this Act;

"(2) a description of the short- and long-term goals and objectives of its water pollution control revolving fund;

"(3) information on the activities to be supported, including a description of project categories, discharge requirements under titles III and IV of this Act, terms of financial assistance, and communities served;

"(4) assurances and specific proposals for meeting the requirements of paragraphs (3), (4), (5), and (6) of section 602(b) of this Act; and

"(5) the criteria and method established for the distribution of funds.

"(d) ANNUAL REPORT.—Beginning the first fiscal year after the receipt of payments under this title, the State shall provide an annual report to the Administrator describing how the State has met the goals and objectives for the previous fiscal year as identified in the plan prepared for the previous fiscal year pursuant to subsection (c), including identification of loan recipients, loan amounts, and loan terms and similar details on other forms of financial assistance provided from the water pollution control revolving fund.

"(e) ANNUAL FEDERAL OVERSIGHT REVIEW.—The Administrator shall conduct an annual oversight review of each State plan prepared under subsection (c), each State report prepared under subsection (d), and other such materials as are considered necessary and appropriate in carrying out the purposes of this title. After reasonable notice by the Administrator to the State or the recipient of a loan from a water pollution control revolving fund, the State or loan recipient shall make available to the Administrator such

records as the Administrator reasonably requires to review and determine compliance with this title.

"(f) APPLICABILITY OF TITLE II PROVISIONS.—Except to the extent provided in this title, the provisions of title II shall not apply to grants under this title.

"SEC. 607. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated to carry out the purposes of this title the following sums:

"(1) \$1,200,000,000 per fiscal year for each of fiscal years 1989 and 1990;

"(2) \$2,400,000,000 for fiscal year 1991;

"(3) \$1,800,000,000 for fiscal year 1992;

"(4) \$1,200,000,000 for fiscal year 1993; and

"(5) \$600,000,000 for fiscal year 1994."

(b) STATE-OPTION TO USE TITLE II FUNDS.—Section 205 is amended by adding at the end thereof the following new subsection:

"(m) DISCRETIONARY DEPOSITS INTO STATE WATER POLLUTION CONTROL REVOLVING FUNDS.—

"(1) **FROM CONSTRUCTION GRANT ALLOTMENTS.**—In addition to any amounts deposited in a water pollution control revolving fund established by a State under title VI, upon request of the Governor of such State, the Administrator shall make available to the State for deposit, as capitalization grants, in such fund in any fiscal year beginning after September 30, 1986, such amount of the amounts allotted to such State under this section for such fiscal year as the Governor considers appropriate; except that (A) in fiscal year 1987, such deposit may not exceed 50 percent of the amounts allotted to such State under this section for such fiscal year, and (B) in fiscal year 1988, such deposit may not exceed 75 percent of the amount allotted to such State under this section for this fiscal year.

"(2) **NOTICE REQUIREMENT.**—The Governor of a State may make a request under paragraph (1) for a deposit into the water pollution control revolving fund of such State—

"(A) in fiscal year 1987 only if no later than 90 days after the date of the enactment of this subsection, and

"(B) in each fiscal year thereafter only if 90 days before the first day of such fiscal year,

the State provides notice of its intent to make such deposit.

"(3) **EXCEPTION.**—Sums reserved under section 205(j) of this Act shall not be available for obligation under this subsection."

(c) REPORT TO CONGRESS.—Section 516 is amended by adding at the end thereof the following new subsection:

"(g) STATE REVOLVING FUND REPORT.—

"(1) **IN GENERAL.**—Not later than February 10, 1990, the Administrator shall submit to Congress a report on the financial status and operations of water pollution control revolving funds established by the States under title VI of this Act. The Administrator shall prepare such report in cooperation with the States, including water pollution control agencies and other water pollution control planning and financing agencies.

"(2) CONTENTS.—The report under this subsection shall also include the following:

"(A) an inventory of the facilities that are in significant noncompliance with the enforceable requirements of this Act;

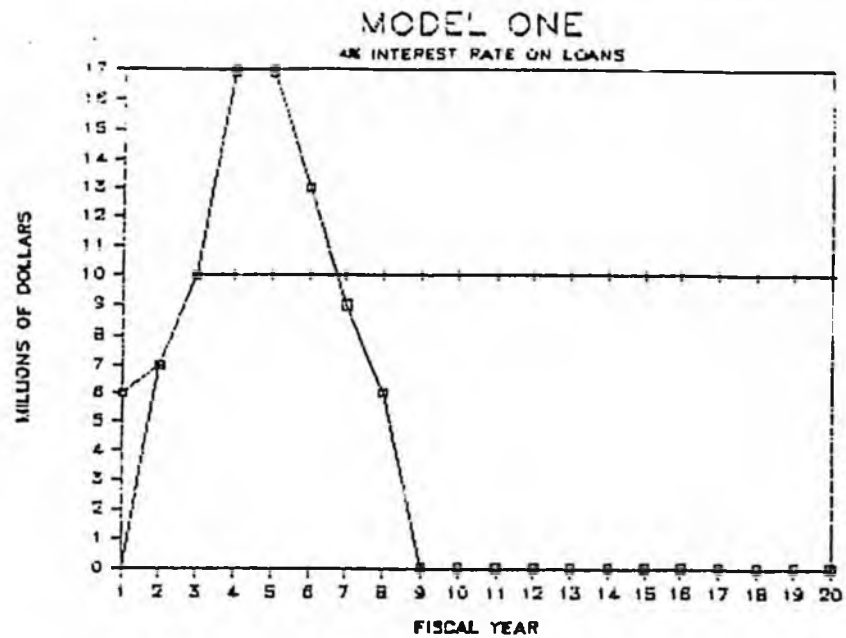
"(B) an estimate of the cost of construction necessary to bring such facilities into compliance with such requirements;

"(C) an assessment of the availability of sources of funds for financing such needed construction, including an estimate of the amount of funds available for providing assistance for such construction through September 30, 1999, from the water pollution control revolving funds established by the States under title VI of this Act;

"(D) an assessment of the operations, loan portfolio, and loan conditions of such revolving funds;

"(E) an assessment of the effect on user charges of the assistance provided by such revolving funds compared to the assistance provided with funds appropriated pursuant to section 207 of this Act; and

"(F) an assessment of the efficiency of the operation and maintenance of treatment works constructed with assistance provided by such revolving funds compared to the efficiency of the operation and maintenance of treatment works constructed with assistance provided under section 201 of this Act."

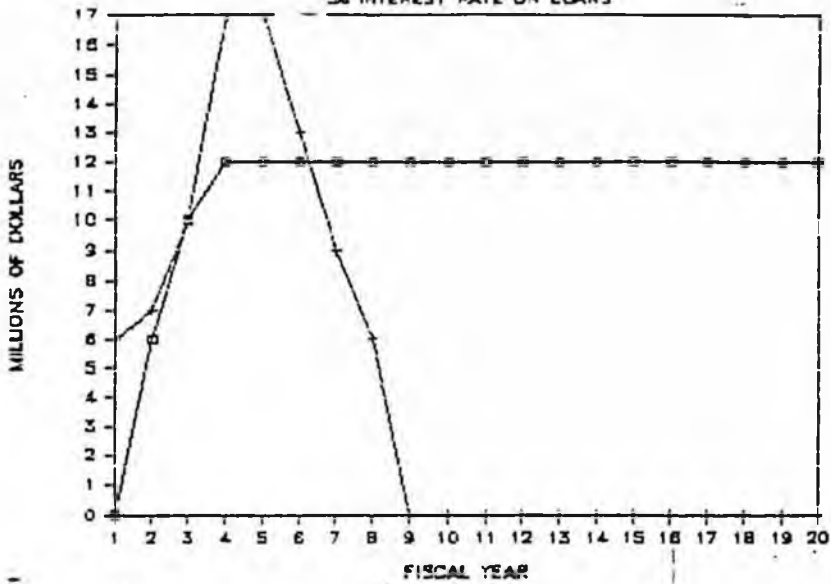


*****SUMMARY RESULTS*****

	YEAR 1	YEAR 5	YEAR 10	YEAR 15	YEAR 20
SOURCES OF FUNDS					
RESIDING BALANCE		13	25	12	14
CAPITALIZATION					
Current	16	17	3	3	3
Cumulative	16	57	35	35	35
BONDS ISSUED					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	10	3	3	3	3
Cumulative	10	2	2	2	2
LOAN ACTIVITY					
LOAN REPAYMENTS					
Current	10	1	5	3	13
Cumulative	10	3	22	57	112
LOAN DEFAULTS					
Current	10	3	3	3	3
Cumulative	10	2	2	2	2
NET LOAN REPAYMENTS					
Current	10	1	5	3	13
Cumulative	10	2	20	57	112
INVESTED FUNDS					
Interest Rate for Invested Funds	7.20%	7.00%	7.20%	7.20%	7.20%
Interest on Invested Funds	10	12	12	11	2
TOTAL SOURCES OF FUNDS					
Current	16	32	33	22	25
Cumulative	16	94	173	335	516
USES OF FUNDS					
BOND RETIREMENT					
Current	10	3	3	2	3
Cumulative	10	3	3	3	3
TOTAL BOND INSURANCE FEE					
Current	10	0	0	0	0
LOAN ACTIVITY					
LOANS MADE					
Current	10	13	13	13	3
Cumulative	10	37	37	117	117
GRANTS MADE					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	10	13	13	13	3
Cumulative	10	37	37	117	117
ADMINISTRATIVE/OPERATIONAL COSTS					
Current	10	11	11	11	11
TOTAL USES OF FUNDS					
Current	10	11	11	11	11
Cumulative	10	37	52	142	173
FUND BALANCE (END OF YEAR)					
Current	16	10	10	10	10
INFLATION ANALYSIS OF FUNDS					
INFLATION RATE	4.20%	4.20%	4.20%	4.20%	4.20%
CONSTANT DOLLARS	16	12	12	11	11

MODEL TWO

5% INTEREST RATE ON LOANS



SIRF SUMMARY REPORT

	YEAR 1	YEAR 5	YEAR 10	YEAR 15	YEAR 20
SOURCES OF FUNDS					
BEGINNING BALANCE		12	16	2	3
CAPITALIZATION					
Current	16	17	3	0	0
Cumulative	16	57	85	85	85
BONDS ISSUED					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
OTHER INCOME (INCLUDING PENALTIES)					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
LOAN ACTIVITY					
LOAN REPAYMENTS					
Current	10	1	6	11	17
Cumulative	10	2	24	71	130
LOAN DEFAULTS					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
NET LOAN REPAYMENTS					
Current	10	1	6	11	13
Cumulative	10	2	24	71	130
INVESTED FUNDS					
Interest Rate for Invested Funds	7.00%	7.00%	7.00%	7.00%	7.00%
Interest on Invested Funds	10	11	11	10	0
TOTAL SOURCES OF FUNDS					
Current	16	31	23	12	16
Cumulative	16	95	259	320	454
USES OF FUNDS					
BOND RETIREMENT					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
TOTAL BOND INSURANCE FEE	10	0	0	0	0
LOAN ACTIVITY					
LOANS MADE					
Current	10	12	12	12	12
Cumulative	10	40	100	150	220
GRANTS MADE					
Current	10	0	0	0	0
Cumulative	10	0	0	0	0
TOTAL LOANS & GRANTS MADE					
Current	10	12	12	12	12
Cumulative	10	40	100	150	220
ADMINISTRATIVE/OPERATIONAL COSTS	10	11	11	11	11
TOTAL USES OF FUNDS					
Current	10	13	13	13	13
Cumulative	10	42	105	150	232
FUND BALANCE (END OF YEAR)	16	82	176	161	16
INFLATION ANALYSIS OF FUNDS					
INFLATION RATE	4.72%	4.28%	4.20%	4.20%	4.00%
CONSTANT DOLLARS	16	17	11	0	3

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION
OFFICE OF THE COMMISSIONER
P.O. BOX 0, JUNEAU 99811-1800

465-2600

March 25, 1987

MAR 26 1987

The Honorable Arliss Sturgulewski
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

During the public hearing on SB 167 held by the Community and Regional Affairs Committee, you asked for an explanation of how the proposed Alaska Clean Water Fund will impact the Department's existing grant program.

The Department of Environmental Conservation administers three grant programs:

1. The 50 Percent Matching Construction Grants Program;
2. The Village Safe Water Program; and
3. The Federally Funded Construction Grants Program.

SB 167 would set up a state revolving loan fund that would take the place of the federally funded Construction Grants Program. This program is being phased out by Congress. However, federal restrictions would limit the type of projects that could be constructed through the proposed loan fund. Therefore, the State must maintain the two State funded programs. Additional reasons for this conclusion are described below.

1. 50 PERCENT MATCHING CONSTRUCTION GRANTS PROGRAM (AS 46.03)

The Construction Grants Program provides grants up to 50 percent of the nonfederally financed costs for water, sewer, and solid waste projects. These grants pay for engineering, construction, legal, administrative, and equipment costs. Only incorporated municipalities can receive grants through this program. Traditionally, local governments have raised their match by the formation of local improvement districts, sales tax, or the sale of local bonds.

2. VILLAGE SAFE WATER PROGRAM (AS 46.07)

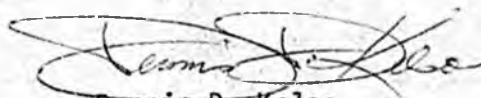
The Village Safe Water (VSW) Program is available to unincorporated and second class communities and covers 100 percent of project expenses. VSW is more than just a funding mechanism. Our engineering staff, experienced in cold climate utility development, acts as the village's "city engineer" in the planning, design, and construction management of the project when the community does not have the management expertise needed for a major capital project. These grants can be used for construction of water systems, wastewater collection and disposal, solid waste disposal, laundromats, and bathing facilities.

3. ALASKA CLEAN WATER ACT (Proposed by SB 167)

The Federal Construction Grants Program currently provides about \$14 million a year to Alaskan communities for construction of wastewater treatment plant projects. This program has existed since 1972, but will be phased out and replaced with a State Revolving Loan Fund Program. SB 167 establishes the framework for Alaska's revolving fund. Monies in the fund will be available to all incorporated communities. However, federal eligibility guidelines will restrict the use of the funds to major sewage treatment facilities and some segments of sewage collection systems. The federal monies cannot be used for water supply and solid waste projects.

Each program targets a different community-type and is tailored to meet specific needs. To maintain mechanisms for meeting the State's sanitation needs, all three programs must be in place. The Legislature, as it has in the past, will continue to direct the State's efforts in meeting these sanitation needs, through the capital budgeting process.

Sincerely,



Dennis D. Kelso
Commissioner

STATE OF ALASKA
THE LEGISLATURE

POUCH Y : STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

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.

. Senator Halford
Page 2
March 27, 1987

The requirements imposed in SB 167 for management of the fund and the projects that are eligible for participation in the program appear to be consistent with the federal legislation. Under AS 46.03.032(d), added by section 4 of SB 167, the state permits the fund to be used for

- (1) buying or refinancing municipal treatment works debt obligations;
- (2) constructing facilities associated with public sewage collection treatment and discharge facilities;
- (3) constructing public water supply, treatment, and distribution systems; and
- (4) guaranteeing or purchasing insurance for public agency obligations related to treatment works construction.

Under sec. 603 (c) of the federal legislation, amounts in the fund are to be used only for financial assistance

- (1) for construction of publicly owned treatment works (as defined in section 212 of this Act), (2) for the implementation of a management program established under section 319 of this Act, and (3) for development and implementation of a conservation and management plan under sec 320 of this Act.

Under Sec. 603(d)(2), the fund may also be used to buy or refinance municipal debt obligations.

"Treatment works" is defined at 33 U.S.C 1292(2)(A) and apparently is not amended in the new federal legislation. The term includes devices and systems used for storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes or necessary to recycle or reuse water. The proposed use of funds in the Alaska clean water revolving loan fund appears consistent with the requirements of federal law and necessary to participate in a federal program. Therefore, the dedication of funds does not violate the Alaska constitution.

If I may be of further assistance, please advise.

TBC:mkr
m10/063

ISSUE PAPER

INTEREST RATE OF ALASKA CLEAN WATER FUND LOANS

ISSUE:

THE LETTER OF INTENT ATTACHED TO SB 167 TIES THE INTEREST RATE CHARGED ON LOANS MADE FROM THE ALASKA CLEAN WATER FUND TO REVENUE BOND RATES AS DEFINED BY THE ALASKA MUNICIPAL BOND BANK AUTHORITY. THE INTEREST RATE NEEDS TO BE TIED TO A RECOGNIZED STANDARD. THE MUNICIPAL BOND BANK AUTHORITY'S RATE IS NOT A STANDARD. THE LETTER OF INTENT NEEDS TO BE AMENDED.

ISSUE ANALYSIS:

THE DEPARTMENT HAS SPOKEN WITH FINANCIAL CONSULTANTS AND MR. PERRY DAVIS, EXECUTIVE DIRECTOR OF ALASKA MUNICIPAL BOND AUTHORITY AND HAVE LEARNED THAT;

1. THE ALASKA MUNICIPAL BOND BANK AUTHORITY SELLS BONDS ON THE OPEN MARKET. BONDS ARE USUALLY SOLD THROUGH A COMPETITIVE BID PROCESS. THE INTEREST RATE ON THESE SALES DEPENDS ON THE COMMUNITIES' FINANCIAL STATUS, PROJECTS TO BE FINANCED AND CURRENT BOND MARKET CLIMATE.
2. THE ALASKA MUNICIPAL BOND BANK AUTHORITY IS NOT IN THE BUSINESS OF ESTABLISHING BOND RATES. THEY WOULD BE UNABLE TO PROVIDE THE DEPARTMENT WITH A RATE.
3. THE ALASKA MUNICIPAL BOND BANK AUTHORITY HAS DEALT WITH VERY FEW REVENUE BOND ISSUES. THE MOST RECENT WAS IN 1982.
4. THE RECOGNIZED STANDARD FOR BOND INTEREST RATES IS MERRILL LYNCH'S MUNICIPAL BOND INDEX. INTEREST RATES ARE PUBLISHED EACH FRIDAY IN THE WALL STREET JOURNAL. THE INDEX IS BASED ON YIELDS THAT ABOUT 500 MAJOR ISSUERS, MAINLY OF INVESTMENT GRADE, WOULD PAY ON NEW LONG-TERM TAX EXEMPT SECURITIES. THE INDEX IS PREPARED BY MERRILL LYNCH, PIERCE, FENNER & SMITH INC., BASED ON DATA SUPPLIED BY KENNY INFORMATION SYSTEMS. RATES ARE GIVEN FOR GENERAL OBLIGATION BONDS WITH A 20 YEAR MATURITY AND REVENUE BONDS WITH A THIRTY YEAR MATURITY. LOANS FROM THE ALASKA CLEAN WATER FUND WILL BE MADE FOR NO LONGER THAN TWENTY YEARS.

PROPOSED AMENDMENT:

PROPOSE THAT THE LETTER OF INTENT BE AMENDED TO READ -

" 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;"

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

Adopted

Tim Kelly
Sturgulewski

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
Rick Halford

Fred Zharoff
Fred Zharoff

Mike Szymanski
Mike Szymanski

Tim Kelly
Tim Kelly, Vice Chairman

Arliss Sturgulewski
Arliss Sturgulewski, Chair

Alaska State Legislature

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



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

Fiscal note #2
Rev. [unclear]
read all 3

Senate

Community and Regional Affairs Committee

TO: Senate C&RA Members

March 17, 1987

FROM: Senate C&RA Staff

MEL

RE: SB 167 - "A. Act relating to grants for water supply, sewage, and solid waste facilities; establishing a revolving loan fund; and providing for an effective date."

SB 167 would set up the legal structure and state matching funds necessary for Alaska to take advantage of the federal funds authorized under the reenactment of the federal clean water act that Congress has recently passed.

Enclosed in this packet is an analysis of SB 167 by DEC, a position paper by DEC, three fiscal notes, and a list of communities that have benefited from this program in the past.

The three fiscal notes each represent a different possible scenario. Gary Haden of DEC will explain the fiscal notes. Commissioner Kelso and the bill's prime sponsor, Senator Halford are also expected to testify.

THE CONSTRUCTION GRANTS PROGRAM

THE CLEAN WATER ACT, PASSED IN 1977, PROVIDED FOR FEDERAL GRANTS TO COMMUNITIES FOR THE CONSTRUCTION OF WASTEWATER TREATMENT FACILITIES. TO DATE, TWENTY-FOUR ALASKAN MUNICIPALITIES AND CITIES HAVE RECEIVED A TOTAL OF \$177,161,685 IN FEDERAL GRANTS FOR WASTEWATER FACILITY CONSTRUCTION. IN 1979 THE CONSTRUCTION GRANTS SECTION OF THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION ASSUMED DELEGATION OF ADMINISTRATIVE AND TECHNICAL FUNCTIONS ASSOCIATED WITH THE GRANTS PROGRAM.

REAUTHORIZATION OF THE CLEAN WATER ACT

THE CLEAN WATER ACT PROVIDED FOR FEDERAL CONSTRUCTION GRANTS FROM 1977 TO 1985. THIS YEAR CONGRESS INTRODUCED A REAUTHORIZATION OF THE ACT WHICH NOT ONLY AMENDS DATES AND FUNDING LEVELS BUT ALSO PROVIDES FOR A PHASE OUT OF THE CONSTRUCTION GRANTS PROGRAM AND A PHASE IN OF A REVOLVING LOAN PROGRAM.

FUNDING: FEDERAL GRANTS AND 20 PERCENT STATE MATCHING FUNDS WILL PROVIDE THE INITIAL REVENUE FOR THE FUND.

<u>FEDERAL FISCAL YEAR</u>	<u>FEDERAL GRANT</u>	<u>REQUIRED STATE MATCH</u>	<u>TOTAL</u>
1988	\$10,895,400	\$2,179,080	\$13,074,480
1989	\$10,763,600	\$2,152,720	\$13,516,320
1990	\$11,263,600	\$2,252,720	\$13,516,320
1991	\$14,527,200	\$2,905,440	\$17,432,640
1992	\$10,895,400	\$2,179,080	\$13,074,480
1993	\$ 7,263,600	\$1,452,720	\$ 8,716,320
1994	\$ 3,631,800	\$ 726,360	\$ 4,358,160
TOTALS	\$69,240,600	\$13,848,120	\$83,088,720

AFTER THE FIRST SEVEN YEARS OF THE FUNDS OPERATION, INPUT OF FEDERAL GRANTS WILL CEASE. THE FUND WILL, HOWEVER, CONTINUE TO REJUVENATE ITSELF. AS COMMUNITIES MAKE PAYMENTS ON BOTH THE PRINCIPAL AND INTEREST OF THEIR LOANS, NEW LOANS WILL BE MADE. IF AN INTEREST RATE OF 5% IS CHARGED, A LOANING CAPACITY OF \$10.75 MILLION PER YEAR CAN BE OBTAINED BEGINNING THE THIRD YEAR THE FUND IS IN OPERATION. THIS IS WITHOUT ADDITIONAL LEGISLATIVE APPROPRIATION AFTER 1994. IN ADDITION, BY INVESTING FUNDS WHICH ARE NOT CURRENTLY BEING LOANED IN SHORT TERM ENDEAVORS (e.g. U.S. TREASURY BILLS) THE SIZE OF THE FUND WILL SLOWLY INCREASE AND ENHANCE LOANING CAPACITY.

TYPES OF ASSISTANCE: OPTIONS INCLUDE LOW INTEREST LOANS, BOND INSURANCE, INTEREST SUBSIDIES OR BOND GUARANTEES. ALL LOANS WILL BE MADE AT AN INTEREST RATE BELOW THE MARKET RATE AND MAY BE ISSUED FOR UP TO 100% OF ALL ELIGIBLE COSTS ASSOCIATED WITH PROJECT CONSTRUCTION.

IMMEDIATE LEGISLATIVE ACTION NEEDED: IT WILL TAKE SEVERAL MONTHS TO DRAFT REQUIRED REGULATIONS, DEVELOP DETAILED PLANS FOR IMPLEMENTING THE PROGRAM AND OBTAIN EPA APPROVAL FOR IMPLEMENTATION. STATE LEGISLATION AUTHORIZING THE ALASKA CLEAN WATER FUND MUST BE ENACTED THIS LEGISLATIVE SESSION OR THE STATE COULD LOSE UP TO \$10.895 MILLION IN FEDERAL FUNDS FOR FFY 88.

THE ALASKA CLEAN WATER FUND

BY ESTABLISHING THE ALASKA CLEAN WATER FUND AND PROVIDING 20% MATCHING GRANTS TO THE FUND, THE STATE WILL CAPTURE APPROXIMATELY \$69,240,600 IN ANNUAL FEDERAL CAPITALIZATION GRANTS. ALASKA'S SHARE OF THE FEDERAL ALLOTMENT IS AS FOLLOWS:

<u>FED. FISCAL YR</u>	<u>FEDERAL</u>	<u>REQ. STATE MATCH</u>	<u>TOTAL</u>
1988	\$10,895,400	\$ 2,179,080	\$13,074,480
1989	10,763,600	2,152,720	12,916,320
1990	11,263,600	2,252,720	13,516,320
1991	14,527,200	2,905,440	17,432,640
1992	10,895,400	2,179,080	13,074,480
1993	7,262,600	1,452,720	8,716,320
1994	<u>3,631,800</u>	<u>726,360</u>	<u>4,358,160</u>
TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720

IT WILL TAKE SEVERAL MONTHS TO DRAFT REQUIRED REGULATIONS, DEVELOP DETAILED PLANS FOR IMPLEMENTING THE PROGRAM AND OBTAIN FEDERAL APPROVAL. IF ALASKA IS TO RECEIVE FFY 88 FUNDS FEDERAL APPROVAL OF THE PROGRAM MUST BE SOUGHT PRIOR TO OCTOBER 1, 1987. HB.. MUST PASS THIS LEGISLATIVE SESSION AS A SINGLE SESSION DELAY COULD COST THE STATE \$10,895,400 IN FEDERAL FUNDS.

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 \$160,223,000 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, \$76,500,000 seed money from the Federal Government available to establish a revolving loan fund for wastewater treatment projects
- Requires 20% state match, for total of \$15,300,840
- 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

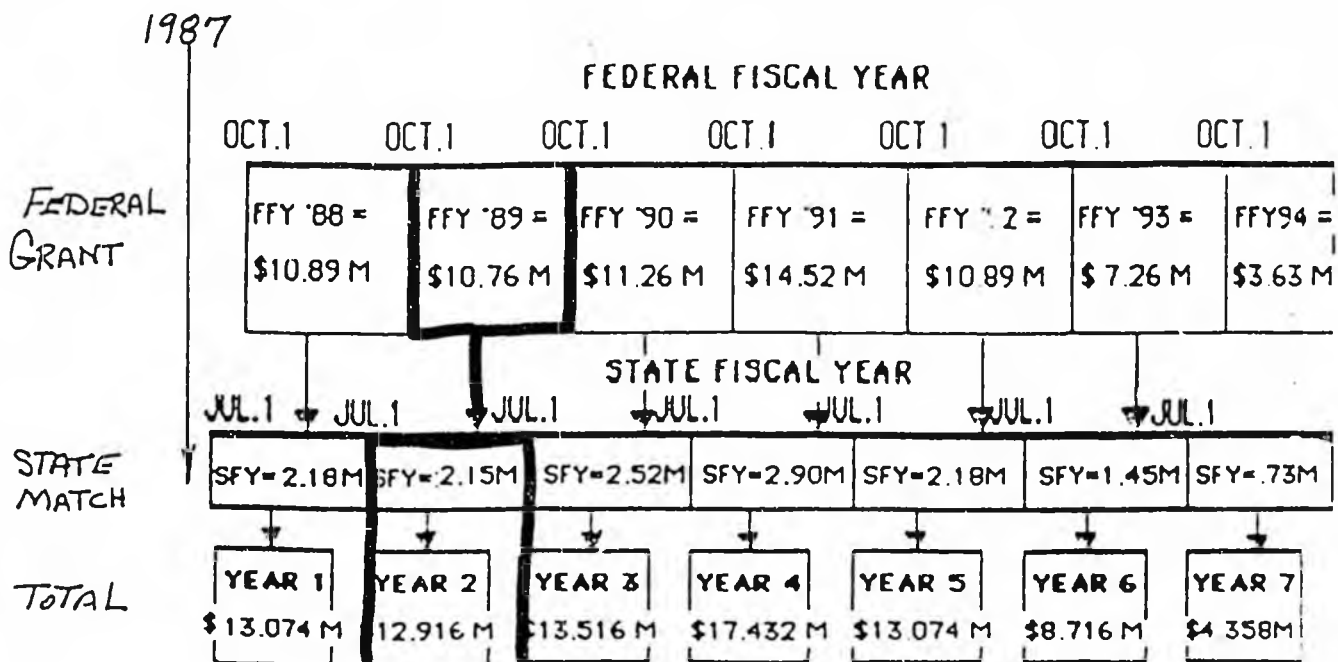
- The existing staff of The Facility Construction and Operation Division will be used for the loan program
- Administrative costs will come from loan fund
- Operation of the loan program will follow current federal construction grants procedures
- Projects selected by same process used in current federal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

TYPES OF ASSISTANCE

- Low interest rate loans
- Bond insurance
- Interest subsidies
- Bond Guarantees
- Refinancing of certain projects

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



SUMMARY

1. Funds Authorized for Construction Grants and State Revolving Loan Programs

o GRANTS \$2.4 billion annually for FY 86-88 Section 211/207
 \$1.2 billion annually for FY 89-90

o LOANS \$1.2 billion annually for FY 89-90 Section 212/607
 \$2.4 billion for FY 91
 \$1.8 billion for FY 92
 \$1.2 billion for FY 93
 \$.6 billion for FY 94

GRANTS TOTAL: \$9.6 billion LOANS TOTAL: \$8.4 billion (See next item)

o In FY 87, 50% of a State's grants allotment may be transferred to its revolving loan funds, 75% in FY 1988, and 100% in FY 89-90. (Sec. 212/606)

2. State Revolving Loan Programs

Federal capitalization of State revolving loan programs is authorized, with the State to provide at least 20% matching. The funds "resulting from" the capitalization grant (i.e., grant, 205m State discretionary deposit, match, and repayments) must first be used for the enforceable requirements of the Act, including the municipal compliance deadline. Of those funds, projects that receive assistance from an amount equal to the grant or 205m payment must meet enumerated Title II requirements, including limitations on eligible categories (i.e., Categories I, II, III(a), and IV(b) with 20% of the funds discretionary for other previously eligible categories and nonpoint source programs (319). Once the enforceable requirements are met, funds in excess of the Federal grants may be used for any project defined in Section 212 (Definitions), Section 319 (Nonpoint Sources) and Section 320 (National Estuary Programs). Types of assistance include loans, refinancing local debt obligations incurred after 3/7/85, guarantees or insurance for local obligations, and as a source of revenue or security for payment of principal and interest on State bonds where proceeds go to revolving funds (leveraging). Payments to States to be made quarterly within stated periods of time. Yearly audits are necessary. Annual oversight of State programs by EPA is required. (Sec 212 contains new Title VI for State revolving loan funds).

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

Attachment 1

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 \$ 69,240,500
 \$ 83,088,720

①

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : _____

Publish Date : _____

Revision Date: _____

Title: Act establishing a Revolving
Loan Fund (Alaska Clean Water Fund)

Agency Affected: Environmental Conservation

BRU: Facility Construction & Operation

Sponsor: Senator Rick Halford

Components: _____

Requestor: _____

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						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	2,179.0	2,152.7	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	10,895.1	10,763.6	11,263.6	14,527.2	10,895.4	7,263.6
OTHER						
TOTAL	13,074.4	12,916.3	13,516.3	17,432.6	13,074.4	8,716.3

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 funds. 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 (see attachment).

Prepared by: Lord Telfer
Division: Facility Construction & Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: _____
Agency: Environmental Conservation

Date: _____

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

②

REQUEST: _____

Bill Version: SB 167
Publish Date: _____

Revision Date: _____

Agency Affected: Environmental Conservation
BRU: Facility Construction & Operation

Title: Grants for water supply & sewage facilities; establishing revolving loan fund

Sponsor: Senator Halford

Components: _____

Requestor: _____

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
Division: Facility Construction and Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: [Signature]
Agency: Environmental Conservation

Date: 3/17/87

Distribution (by preparer):

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- Senate Secretary

Attachment 1

FISCAL NOTE ASSUMPTIONS AND ANALYSIS

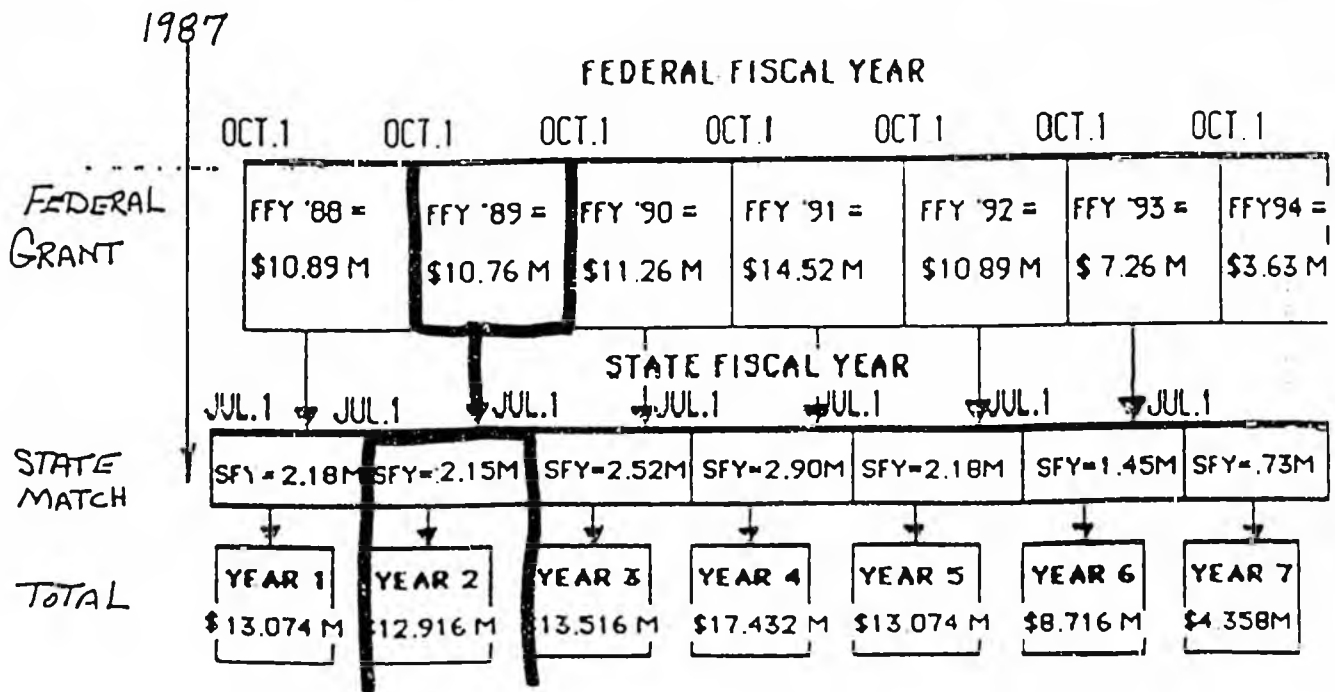
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Other	-0-	-0-
Total	8,716,320	4,358,160

SEVEN YEAR TOTAL: General Fund \$ 13,848,120
 Federal Funds \$ 69,240,600
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CAPITALIZATION OF THE STATE REVOLVING LOAN FUND

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TOTALS:	\$69,240,600	\$13,848,120	\$83,088,720



STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

3

REQUEST: _____

Bill Version : _____
Publish Date : _____

Revision Date: _____
Title: Act establishing a Revolving Loan
Fund (Alaska Clean Water Fund)
Sponsor: Senator Rick 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-	4,331.8	2,252.7	2,905.4	2,179.0	1,452.7
FEDERAL FUNDS	-0-	21,659.0	11,263.6	14,527.2	10,895.4	7,262.6
OTHER						
TOTAL	-0-	25,990.8	13,516.3	17,432.6	13,074.4	8,716.3

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 funds. 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 (see attachment).

Prepared by: Lori Telfer
Division: Facility Construction & Operation

Phone: 465-2610
Date: 3/17/87

Approved by Commissioner: _____
Agency: Environmental Conservation

Date: _____

- Distribution (by preparer):
- Legislative Finance
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Total	8,716,320	4,358,160

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

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	\$387,089

TOTALS:

\$177,161,685