

SB

330

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/24/94

FURTHER:

DATE TURNED INTO OFFICE: 3-12-94

The Finance Committee considered **SENATE BILL NO. 330**

"An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date."

and recommends:

- replace with _____ CS SB 330 (FINANCE)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

- adopts _____ Letter of Intent
- further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
<u>DEC</u>	<u>2-15-94</u>	<u>0</u>	

Appropriation No Fiscal Note

DO PASS:

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

1. [Signature]
 Co-Chair: Signature/Recommendation

OTHER RECOMMENDATIONS:

2. [Signature]
 Co-Chair: Signature/Recommendation

FISCAL NOTE

No. 1

Bill Version: SB 330

BILL

(S) Publish Date: 2-24-94

STATE OF ALASKA
1994 LEGISLATIVE SESSION

Revision Date: _____
Title: Water Quality Funds and Grants

Department Affected: Environmental Conservation

Sponsor: Senator Halford
Requestor: Senator Phillips

BRU: Facility, Construction, and Operation
Component: Facility, Construction, and Operation

COMPONENT SERIAL NO. 637

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY94) cost: \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary.)

No overall fiscal impacts are anticipated. No new positions will be created. As a result of the Drinking Water Loan Fund portion of the bill, the funding sources for existing personnel will be shifted to the revolving loan fund from a federal grant program, which is being discontinued.

Prepared by: Bob Poe, Director
Division: Information and Administrative Services

Phone: 465-5010
Date: 2/15/94

Approved by Commissioner: Asen Q. Tonder
Agency: Department of Environmental Conservation

Date: 2/15/94

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CS SENATE BILL NO. 330 *(Fix)*

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY SENATOR HALFORD

Introduced: 2/14/94
Referred: CRA, FIN

*Amend #1
p. 3 line 16 (SR)*

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to water quality enhancement, water supply, wastewater, and
2 solid waste grants; the Alaska clean water fund; the establishment of the Alaska
3 clean water account, the Alaska drinking water fund, and the Alaska drinking
4 water account; and providing for an effective date."

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

6 * Section 1. AS 46.03.030(b) is repealed and reenacted to read:

7 (b) The department may grant to a municipality, as funds are available, a grant
8 for any of the following:

- 9 (1) a water quality enhancement project;
- 10 (2) a public water supply, treatment, or distribution system;
- 11 (3) a wastewater collection, treatment, or discharge system;
- 12 (4) a solid waste processing, disposal, or resource recovery system.

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

14 (c) There is a water quality enhancement program and water supply,

1 wastewater [SEWAGE], and solid waste systems [FACILITIES] fund created in the
2 department to carry out the purposes of this section.

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

4 (d) The department shall, by regulation, identify those costs that are eligible
5 costs for the purposes of this section. Eligible costs [INCLUDE THE COSTS
6 ESTABLISHED IN A CONSTRUCTION CONTRACT THAT ARE NECESSARY
7 FOR CONSTRUCTION OF A PROJECT, BUT] do not include [THE COST OF]
8 interest and financing and right-of-way acquisition, or costs that are related to the
9 operation, maintenance, or repair of a system [PROJECT].

10 * Sec. 4. AS 46.03.030(e) is repealed and reenacted to read:

11 (e) A grant under this section to a municipality for a project funded by an
12 appropriation made by the legislature

13 (1) before July 1, 1994, may not exceed 50 percent of the eligible costs
14 of the project;

15 (2) after July 1, 1994, may not exceed

16 (A) 85 percent of the eligible costs for a municipality with a
17 population of 1,000 persons or less;

18 (B) 70 percent of the eligible costs for a municipality with a
19 population of 1,001 to 5,000 persons; and

20 (C) 50 percent of the eligible costs for a municipality with a
21 population greater than 5,000 persons; however, if a municipality with a
22 population greater than 5,000 persons seeks a grant for a project that relates to
23 a solid waste processing or disposal system that incorporates resource recovery,
24 the department may provide a grant for up to 60 percent of the eligible costs
25 of the project.

26 * Sec. 5. AS 46.03.030 is amended by adding new subsections to read:

27 (g) The match required for grants made under this section may include

28 (1) federal funds; or

29 (2) state funds, other than those funds received under this section or

30 AS 37.06.

31 (h) Construction of a project for which a grant is made under this section may

1 commence only after the department has approved in writing the plans and
2 specifications for the project.

3 * **Sec. 6.** AS 46.03.032(d) is amended to read:

4 (d) Except as otherwise limited by federal law, the Alaska clean water fund
5 may be used for

6 (1) buying or refinancing the debt obligations of a municipality for
7 a public wastewater treatment system or a [WORKS AND] solid waste management
8 system [DEBT OBLIGATIONS OF MUNICIPALITIES];

9 (2) planning, designing, building, constructing, and rehabilitating a
10 [FACILITIES ASSOCIATED WITH] solid waste management system or a [AND]
11 public wastewater [SEWAGE] collection, treatment, and discharge system
12 [FACILITIES];

13 (3) [CONSTRUCTING, EQUIPPING, MODIFYING, IMPROVING,
14 AND EXPANDING SOLID WASTE MANAGEMENT AND PUBLIC WATER
15 SUPPLY, TREATMENT, AND DISTR'BUTION SYSTEMS;

16 (4) *collateral or for Amend to SR*
17 ~~guaranteeing or~~ purchasing insurance for a public agency debt
18 obligation [OBLIGATIONS] related to the construction of a solid waste management
19 system or a public wastewater [AND] treatment system;

20 (4) developing and implementing a management program for
21 controlling water pollution from nonpoint sources under 33 U.S.C. 1329; and

22 (5) developing and implementing an estuary conservation and
23 management program under 33 U.S.C. 1330 [WORKS CONSTRUCTION].

24 * **Sec. 7.** AS 46.03.032(f) is amended to read:

25 (f) The department may spend money from the Alaska clean water fund to
26 pay the costs of administering the fund.

27 * **Sec. 8.** AS 46.03.032(g) is amended to read:

28 (g) A municipality wishing to borrow money from the Alaska clean water
29 fund shall demonstrate to the satisfaction of the department that the municipality [.]

30 (1) has sufficient legal authority to incur the debt for which it is
31 applying; and

(2) [THAT IT] will establish and maintain a dedicated source of

1 revenue or other acceptable revenue source for repayment of the loan.

2 * **Sec. 9.** AS 46.03.032(l) is amended to read:

3 (l) Loan [EXCEPT AS PROVIDED IN (n) OF THIS SECTION, LOAN]
4 repayments and interest earned by loans from the Alaska clean water fund shall be
5 deposited in the Alaska clean water fund.

6 * **Sec. 10.** AS 46.03.032(m) is amended to read:

7 (m) Annual principal payments shall commence within one year after project
8 completion [, OR WITHIN TWO YEARS AFTER THE DATE THE LOAN IS
9 MADE, WHICHEVER IS EARLIER].

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

11 Sec. 46.03.034. ALASKA CLEAN WATER ACCOUNT. (a) The Alaska
12 clean water account is established as a separate account which is distinct from other
13 money or funds in the treasury.

14 (b) The Alaska clean water account consists of state appropriations to the
15 Alaska clean water fund in excess of that amount required as a match for a federal
16 capitalization grant under 33 U.S.C. 1381 - 1387 (Clean Water Act).

17 (c) The department shall administer the Alaska clean water account.

18 (d) The Alaska clean water account may be used for purposes described in
19 AS 46.03.032(d).

20 (e) Principal repayments received on loans from the Alaska clean water
21 account shall be deposited in the Alaska clean water fund. Interest payments and
22 earnings shall be deposited in the clean water account.

23 * **Sec. 12.** AS 46.03 is amended by adding a new section to read:

24 Sec. 46.03.036. ALASKA DRINKING WATER FUND. (a) The Alaska
25 drinking water fund is established as a separate fund which is distinct from other
26 money or funds in the treasury. The Alaska drinking water fund consists of (1) federal
27 capitalization grants; (2) money appropriated by the legislature to meet federal
28 matching requirements; (3) loan repayments; and (4) if required by federal law or by
29 appropriation, interest received from loan repayments and interest received from
30 investment of money in the Alaska drinking water fund.

31 (b) The department may adopt regulations necessary to ensure that the

1 department administers and uses the Alaska drinking water fund in a manner consistent
2 with federal law.

3 * Sec. 13. AS 46.03 is amended by adding a new section to read:

4 Sec. 46.03.038. ALASKA DRINKING WATER ACCOUNT. (a) The Alaska
5 drinking water account is established as a separate account which is distinct from other
6 money or funds in the state treasury.

7 (b) The Alaska drinking water account consists of state appropriations to the
8 Alaska drinking water fund in excess of that amount required as a match for a federal
9 capitalization grant.

10 (c) The department shall administer the Alaska drinking water account.

11 (d) The Alaska drinking water account may be used for any purpose for which
12 the Alaska drinking water fund may be used.

13 (e) Principal repayments received on loans from the Alaska drinking water
14 account shall be deposited in the Alaska drinking water fund. Interest payments or
15 loans from the Alaska drinking water account and earnings on the Alaska drinking
16 water account shall be deposited in the Alaska drinking water account.

17 * Sec. 14. AS 46.03.030(f) and 46.03.032(n) are repealed.

18 * Sec. 15. Unless repealed by the department, regulations adopted by the Department of
19 Environmental Conservation before July 1, 1994, relating to water quality enhancement, water
20 supply, wastewater, and solid waste system grants, the Alaska clean water fund, or the Alaska
21 clean water account remain in effect until the effective date of regulations adopted by the
22 department to implement changes made by this Act.

23 * Sec. 16. Sections 1 - 11 and 14 - 15 of this Act take effect July 1, 1994.

24 * Sec. 17. Sections 12 and 13 of this Act take effect on the effective date of a federal law
25 authorizing changes to the federal Safe Water Drinking Act to allow the state to participate
26 in federal capitalization grants to finance projects related to drinking water. The commissioner
27 of environmental conservation shall certify to the revisor of statutes the effective date of a
28 federal law described in this section.

3-14-94

This CS approved by
Sen. Riegr, maker of
amendment at p. 3.

Sen. Riegr indicated
a preference to add "security"
following "Collateral," but Ann
said that change would be made
in Senate Rules.

8-LS1739J

CS FOR SENATE BILL NO. 330(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATOR HALFORD

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to water quality enhancement, water supply, wastewater, and
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14 of the project;

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11 public wastewater [SEWAGE] collection, treatment, and discharge system
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13 (3) collateral ^{security} for [CONSTRUCTING, EQUIPPING, MODIFYING,
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15 WATER SUPPLY, TREATMENT, AND DISTRIBUTION SYSTEMS;

16 (4) GUARANTEEING] or purchasing insurance for a public agency
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18 management system or a public wastewater [AND] treatment system;

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26 in federal capitalization grants to finance projects related to drinking water. The commissioner
27 of environmental conservation shall certify to the revisor of statutes the effective date of a
28 federal law described in this section.



ALASKA STATE LEGISLATURE

Senator Rick Halford

President of the Senate

MEMORANDUM

While in Session:
State Capitol
Juneau, AK 9801-1182
907-465-4958

While in Interim:
P.O. Box 670190
Chugiak, AK 99567
907-694-4958

TO: Senator Drue Pearce, Co-Chair
Senator Steve Frank, Co-Chair


Senate Finance Committee

Senator George Jacko
Senator Tim Kelly
Senator Steve Rieger
Senator Bert Sharp
Senator Jay Kerttula

FROM: Senator Rick Halford
Sponsor

DATE: February 28, 1994

SUBJECT: Sponsor Statement for Senate Bill 330



Senate Bill 330 proposes modifications to two statutes administered by the Division of Facility Construction and Operation within the Department of Environmental Conservation; AS 46.03.030 (Municipal Matching Grants) and AS 46.03.032 (Alaska Clean Water Fund).

By way of background, in 1987 I sponsored Senate Bill 167 which created the Alaska Clean Water Fund (ACWF) to provide low interest loans for the construction of municipal wastewater projects. This program, capitalized 83 percent by the federal government, was designed to replace the EPA construction grants program. Since the ACWF can only finance wastewater projects, the Legislature also created a separate account for excess State appropriations to provide loans for water supply and solid waste projects. This account has never been capitalized. The ACWF as presently capitalized can provide loans only for wastewater projects.

SB 330 provides funding assistance through grants and loans to Alaska's incorporated municipalities for the construction of water, wastewater and solid waste improvements. By amending AS 46.03.030, the flexibility of funding alternatives available to incorporated governments will be increased.

Changes to AS 46.03.032 will position the State to take advantage of a new federal loan program for construction of water supply systems. This legislation is now pending in Congress and by passing this bill this session, it will enable the State to participate at the earliest possible opportunity.

Congress is also presently considering several bills for the re-authorization of the Safe Water Drinking Act. These bills all contemplate a loan program for the construction of water supply projects. It is proposed that federal appropriations and the corresponding State match will be used to capitalize an Alaska Drinking Water Fund.

The proposed changes to AS 46.03.032 clarify the relationship of the ACWF to the account and establishes a parallel Alaska Drinking Water Fund and account. Again, early action by the Legislation allows the State to receive federal funding as soon as it is available.

I request the committees' favorable consideration of Senate Bill 330.

CITY of HOONAH

P.O. Box 360
Hoonah, Alaska 99829
(907) 945-3663
FAX (907) 945-3445

RECEIVED

FEB 28 1994

Asst.....

February 23, 1994

Randy
TO: Senator Randy Phillips, Chairman
Senate Community & Regional Affairs Committee

Albert
FROM: Albert W. Dick
Mayor

SUBJECT: SB 330 - An act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water; and providing for an effective date. .

The City of Hoonah strongly supports SB 330 in it's entirety.

The City of Hoonah has been operating at 97% water treatment capacity for some time and is desperately in need of a new water treatment system which will allow it to treat a larger capacity of water, meet DEC/EPA regulations pertaining to the treatment of water and provide for future expansion of the City. This is more important as the U. S. Forest Service expands it's office and housing base in the community. It is getting more difficult for us to stay in compliance during peak periods when the Hoonah Cold storage is running.

This system was originally installed by Indian Health Service some time ago. They have indicated that they would help us out anyway they can to get a new system on line. The City like most small communities does not have the funds to install this system, would be able to handle 15% of the cost. That is why we are requesting support of this bill especially as it pertains to Sec. 4. AS46.03.030(e)(2)(A) 85 percent of the eligible costs for a municipality with a population of 1,000 persons or less; and Sec. 5 AS46.03.030(g) the match required under this section may include (1) federal funds; or (2) state funds, other than those funds received under this section.

AWD:rgp

cc: Mackie, Zharoff, Halford

DEPT. OF ENVIRONMENTAL CONSERVATION

**Department Position Paper
SB 330**

" An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date."

Legislative Intent:


SB 330 would amend the statutes governing two funding programs administered by the Department of Environmental Conservation: Municipal Matching Grants and the Alaska Clean Water Fund. The intent of the bill is to: (1) improve existing funding alternatives available to incorporated communities; (2) provide a more equitable method for assisting mid-sized communities with populations ranging from 1,000 to 5,000; (3) expand loan eligibility similar to the Alaska Clean Water Fund to include drinking water projects; (4) enable Alaska to take advantage of federal capitalization grants to the drinking water loan program; and (5) clarify confusing and redundant language contained in the programs' existing statutes (AS 46.03.030 and AS 46.03.032).

Bill/Program Effects:

SB 330 would allow the Department of Environmental Conservation to better assist incorporated communities in financing the planning, design, and construction of water, sewerage, and solid waste systems. Financing programs are available to meet the needs of the State's larger urban communities and smaller unincorporated rural communities. However, incorporated "mid-sized" communities with population bases of 1,000 to 5,000 are not eligible to participate in the Village Safe Water program yet do not have the financial resources to pay one-half of a project's cost as currently required under the Municipal Matching Grants program. By increasing the percent of project costs eligible for grant funding to more closely parallel those allowed under AS 37.06, these communities will be better able to finance the sanitation needs of their residents. SB 330 would also position the State to take advantage of a proposed federal capitalization program by establishing a Drinking water revolving loan fund. Congress is expected to pass authorization language for the program this session. This program would provide communities with a predictable, perpetual and, eventually, self-sustaining financial resource for water supply projects.

The Alaska Department of Environmental Conservation strongly supports SB 330 in its entirety.

This legislation would have a zero fiscal impact on the State's Operating Budget.



Keith Kelton, Director
Division of Facility Construction
and Operation

2-17-94
Date

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 18, 1994

SUBJECT: Sectional Summary of SB 330; An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date. (Work Order No. 8-LS1739\E)

TO: Senator Rick Halford

FROM: George Utermohle *GU*
Legislative Counsel

You have requested a sectional summary of SB 330; An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date.

A sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill repeals and reenacts AS 46.03.030(b) to set out the purposes for which grants may be made to municipalities: a water quality enhancement project; a public water supply, treatment, or distribution system; a wastewater collection, treatment, or discharge system; or a solid waste processing, disposal, or resource recovery system.

Section 2 of the bill makes technical amendments to AS 46.03.030(c).

Section 3 of the bill amends AS 46.03.030(d) to change the definition of eligible costs of projects that can be funded by grants under AS 46.03.030.

Section 4 of the bill repeals and reenacts AS 46.03.030(e) to set out that portion of the eligible costs of a project that may be funded by grants under AS 46.03.030.

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Section 5 of the bill adds new subsections to AS 46.03.030 specifying what types of funds may be used to match grants under AS 46.03.030 and requiring that the Department of Environmental Conservation must approve project plans and specifications before construction of the project may begin.

Section 6 of the bill amends AS 46.03.032(d) to change the purposes for which the Alaska clean water fund may be used.

Sections 7, 8, and 9 of the bill make minor technical changes to AS 46.03.032(f), (g), and (l), respectively.

Section 10 of the bill amends AS 46.03.032(m) to require that annual repayments of principal on loans from the Alaska clean water fund must commence within one year after completion of the project for which the loan is made.

Section 11 of the bill adds a new section to AS 46.03 to create the Alaska clean water account as a separate account in the state treasury. The account may be used for the same purposes as the Alaska clean water fund. Repayments of principal on loans from the account shall be deposited in the Alaska clean water fund. Interest payments on loans made from the account are dedicated back to the account.

Section 12 of the bill adds a new section to AS 46.03 to create the Alaska drinking water fund as a separate fund in the state treasury. The Department of Environmental Conservation may adopt regulations to ensure that it administers the fund in a manner consistent with federal law.

Section 13 of the bill adds a new section to AS 46.03 to create the Alaska drinking water account as a separate account in the state treasury. The account may be used for the same purposes as the Alaska drinking water fund. Repayments of principal on loans from the account shall be deposited in the Alaska drinking water fund. Interest payments on loans made from the account are dedicated back to the account.

Section 14 of the bill repeals AS 46.03.030(f) and 46.03.032(n).

Section 15 of the bill allows the Department of Environmental Conservation to retain certain regulations relating to water quality enhancement, water supply, wastewater, and solid waste system grants, the Alaska clean water fund, or the Alaska clean water account until the effective date of regulations adopted by the department to implement changes made by this Act.

Section 16 of the bill provides that, except for secs. 12 and 13, the bill takes effect July 1, 1994.

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Section 17 of the bill provides that secs. 12 and 13, relating to the Alaska drinking water fund and the Alaska drinking water account, take effect on the effective date of a federal law allowing the state to participate in federal capitalization grants to finance projects related to drinking water.

GU:pl
94-129.plm

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

Department Position Paper SB 330

" An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date."

Legislative Intent:

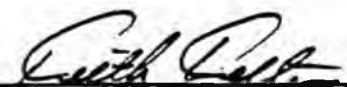
SB 330 would amend the statutes governing two funding programs administered by the Department of Environmental Conservation: Municipal Matching Grants and the Alaska Clean Water Fund. The intent of the bill is to: (1) improve existing funding alternatives available to incorporated communities; (2) provide a more equitable method for assisting mid-sized communities with populations ranging from 1,000 to 5,000; (3) expand loan eligibility similar to the Alaska Clean Water Fund to include drinking water projects; (4) enable Alaska to take advantage of federal capitalization grants to the drinking water loan program; and (5) clarify confusing and redundant language contained in the programs' existing statutes (AS 46.03.030 and AS 46.03.032).

Bill/Program Effects:

SB 330 would allow the Department of Environmental Conservation to better assist incorporated communities in financing the planning, design, and construction of water, sewerage, and solid waste systems. Financing programs are available to meet the needs of the State's larger urban communities and smaller unincorporated rural communities. However, incorporated "mid-sized" communities with population bases of 1,000 to 5,000 are not eligible to participate in the Village Safe Water program yet do not have the financial resources to pay one-half of a project's cost as currently required under the Municipal Matching Grants program. By increasing the percent of project costs eligible for grant funding to more closely parallel those allowed under AS 37.06, these communities will be better able to finance the sanitation needs of their residents. SB 330 would also position the State to take advantage of a proposed federal capitalization program by establishing a Drinking water revolving loan fund. Congress is expected to pass authorization language for the program this session. This program would provide communities with a predictable, perpetual and, eventually, self-sustaining financial resource for water supply projects.

The Alaska Department of Environmental Conservation strongly supports SB 330 in its entirety.

This legislation would have a zero fiscal impact on the State's Operating Budget.



Keith Kelton, Director
Division of Facility Construction
and Operation

2-17-94
Date

SECTIONAL ANALYSIS
S. B. 330 BILL NO.

FOR AN ACT ENTITLED

"An Act relating to water quality enhancement, water supply, wastewater, and solid waste system grants: to the Alaska clean water fund and the Alaska clean water account: and to the establishment of the Alaska drinking water fund and the Alaska drinking water account: and providing for an effective date."

BACKGROUND

This legislation proposes modifications to two statutes administered by the Division of Facility Construction and Operation, within the Department of Environmental Conservation:

AS 46.03.030 Municipal Matching Grants

AS 46.03.032 Alaska Clean Water Fund

These two programs provide funding assistance through grants and loans to Alaska's incorporated municipalities for the construction of water, wastewater and solid waste improvements. The primary purpose for amending AS 46.03.030 is to increase the flexibility of funding alternatives available to incorporated governments. The bill also more closely aligns funding assistance with the participation available from the Governor's matching grants program. Changes to AS 46.03.032 will position the State to take advantage of a new federal loan program for construction of water supply systems. This legislation is now pending in Congress and adoption of changes to the statute, this session, will allow the State to participate at the earliest possible opportunity.

MUNICIPAL MATCHING GRANTS

Bill Sections 1 through 5

Sections 1, 2 & 3 - These sections are rewritten to consolidate language and to clarify intent. This statute has been modified over the years adding new sections on grant eligibility. As a result, the statute has become redundant and confusing. These proposed amendments clarify but do not alter previous intent. The grant eligible expenses are fixed by regulation and will remain the same.

Section 4 - This section is revised to increase the grant percentages available to smaller incorporated municipalities and to more closely align this program with the funding assistance available under AS 37.06. In the past, smaller municipalities have had a difficult time providing the 50 percent local match required to qualify for a state matching grant. This has frequently resulted in sanitation needs going unmet. Unincorporated communities are eligible for 100 percent grants from the Village Safe Water Program. The changes in grant percentages will discourage smaller communities from dissolving their governments to qualify for increased State assistance. For municipalities over 5,000 in population, there is no change in the grant participation currently available.

Section 5 - This amendment alters how Federal funds are to be treated. The original statute adopted in 1972 was written to maximize the use of Environmental Protection Agencies grants. These federal grants were for 75 percent of eligible costs. The statute was written to require the State and the grantee to equally fund the remaining project costs. (The Department may grant....up to 50 percent of eligible costs not financed by the federal government...)

The EPA grants program that generated the existing statute's language has since been discontinued. The requirement that State project funds be reduced for each dollar of federal funding obtained acts as a disincentive for local governments to seek federal grants. By allowing federal funds to be used as match for State grants this amendment will encourage grantees to apply for federal funding. Allowing grantees to reduce local participation will increase the likelihood that projects in smaller communities can be financed.

ALASKA CLEAN WATER FUND

Bill Sections 6 through 13

BACKGROUND

The Alaska Legislature created the Alaska Clean Water Fund (ACWF) in 1987 to provide low interest loans for the construction of municipal wastewater projects. This program, capitalized 83 percent by the federal government, was designed to replace the EPA construction grants program. Since the ACWF can only finance wastewater projects, the Alaska Legislature also created a separate account for excess State appropriations to provide loans for water supply and solid waste projects. This account has never been capitalized. The ACWF as presently capitalized can provide loans only for wastewater projects.

Congress is presently considering several bills for the re-authorization of the Safe Water Drinking Act. These bills all contemplate a loan program for the construction of water supply projects. It is proposed that federal appropriations and the corresponding State match will be used to capitalize an Alaska Drinking Water Fund.

The proposed changes to AS 46.03.032 clarify the relationship of the Alaska Clean Water Fund to the Account and establishes a parallel Alaska Drinking Water Fund and Account. Early action by the Legislature to create a Drinking Water Fund will position the State to receive federal funding as soon as it is available.

Section 6 - This amendment cleans up existing language by removing references to water supply systems, which are now included in Section 12. This section also includes non-point source pollution control and estuary conservation as eligible activities under the ACWF loan program. These changes are made to comply with federal requirements and should have minimal impact on fund use in Alaska.

SECTION 7 - This amendment clarifies the name of the fund to be used in paying the costs of the program administration.

SECTIONS 8,9 & 10 - These amendments clarify fund nomenclature and remove a provision in Section 10 that is not consistent with the federal law.

SECTION 11 - This section establishes an Alaska Clean Water Account to receive State appropriations in excess of the amount required to match the federal capitalization grants. There is no funding currently in this account.

SECTION 12 - This section establishes the Alaska Drinking Water Fund and positions the State to accept federal capitalization grants. Since federal legislation has not yet been adopted, language is broad, authorizing the Department to write the regulations needed to administer the program. This program is intended to parallel the ACWF loan program currently in place for wastewater projects.

SECTION 13 - This section establishes the Alaska Drinking Water Account to receive State appropriations in excess of the amount required to match federal capitalization grants. This is a parallel account to the Alaska Clean Water Account.

SECTIONS 14, 15, 16 & 17 - These sections relate to procedural matters and do not impact the intent of the proposed legislation.

SENATE COMMITTEE REPORT
(FIRST COMMITTEE OF REFERRAL)

MMK
DATE: 2/14/94

FURTHER: Finance

Date of 5-Day Notice: 2/17/94
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-24-94

CRA Committee considered SB 330

"An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date."

and recommends:

[] replace with _____ CS may op _____

- [] same title
- [] new title
- [] technical title change (HB only)

- [] attaches amendment(s)
- [] adopts _____ Letter of Intent
- [] further referral to the _____

- [] do pass
- [] do not pass
- [] no recommendation

PKM

individual recommendations

Department	Date	Zero	Fiscal
DEC	2/15/94	φ	

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal

- [] Appropriation No Fiscal Note
- [] Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Arvis L. Haveler
James A. Haveler (needs vsw amendment)

Reed E. Bell, D. Pres.

Chair: Signature and Recommendation

SENATE COMMITTEE REPORT
(FIRST COMMITTEE OF REFERRAL)

DNK
DATE: 2/14/94

FURTHER: Finance

Date of 5-Day Notice: 2/17/94
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-24-94

CRA Committee considered SB 330

"An Act relating to water quality enhancement, water supply, wastewater, and solid waste grants; the Alaska clean water fund; the establishment of the Alaska clean water account, the Alaska drinking water fund, and the Alaska drinking water account; and providing for an effective date."

and recommends:

replace with _____ CS may dp _____

attaches amendment(s)

same title
 new title
 technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

DKM

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
DEC	2/15/94	φ	

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

Chris H. Traylor
Loren A. Erickson (needs vsw amendment)

Reed E. Bell, D.P.S.

Chair: Signature and Recommendation