

Approved 2-2-88
Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES

The meeting was called to order by Senator Merrill Werts at
Chairperson

8:00 a.m./~~PM~~ on January 21, 1988 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Ramon Powers - Research	Laura Howard - Research
Don Hayward - Revisor	Raney Gilliland - Research
Nancy Jones - Secretary	

Conferees appearing before the committee:

Senator Robert Talkington
Ray Walton, Fall River, Ks.
Darrell Montei, Wildlife & Parks
Jerry Haslett, Kansas Wildlife Federation
Secretary Stanley Grant, KDHE
John Wynkoop, Director, Water & Water Pollution Control, Wichita, KS.
John Metzler, Chief Engineer Johnson County Wastewater Office

A motion was made by Senator Langworthy to approve corrected minutes of the January 14, 1988 meeting, seconded by Senator Thiessen. Motion carried.

SB 475 Concerning the hunting of deer

Chairman Werts introduced Senator Talkington who stated a problem has evolved on private game bird preserves in southeast Kansas where deer are being raised and the increase in deer population has caused destruction of crops outside the preserves. This legislation will allow the Wildlife & Parks Department to issue a certain number of special permits to private preserve members to hunt deer on the preserve.

Ray Walton, owner of a game bird preserve, explained the creation of the habitat for upland game birds. This ideal habitat has encouraged the increase of the deer population and more authority is now needed to keep the proper herd balance. Issuance of special permits is requested by Mr. Walton. (ATTACHMENT I)

Darrell Montei related background information on the controlled shooting areas and stated SB 475 would authorize the KDWP to issue special permits in some of these areas where there has been an inadequate harvest of deer. By this means, it is hoped to alleviate this problem in certain other areas throughout the state. Mr. Montei offered two amendments to the bill. (ATTACHMENT II)

These changes would give authority to determine the number of special permits issued by the KDWP in addition to the regular permits.

Jerry Haslett testified that the Kansas Wildlife Federation is concerned about isolated attempts to control the deer herd and not look at the total state picture as other problems are involved with the issue. This legislation could limit equal opportunity to hunters outside the private preserves, but he does feel SB 475 is needed.

A motion was made by Senator Hayden to adopt the amendments offered by the KDWP to SB 475, seconded by Senator Langworthy. Motion carried.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES,
room 123S, Statehouse, at 8:00 a.m./~~p.m.~~ on January 21, 1988

A motion was mde by Senator Vidricksen to recommend SB 475 favorably as amended, seconded by Senator Langworthy. Motion carried.

Chairman Werts introduced Louie Stroup who requested introduction of a bill for cleanup of the organizational structure of the municipal energy agencies.

A motion was made by Senator Hayden to intoduce the proposed bill identified as 7 RS 1928, seconded by Senator Feleciano. Motion carried.

SB 472 - Establishment of the Kansas Water Pollution Control Fund.

Secretary Grant testified the intent of SB 472 is to provide loans for wastewater collection and treatment facilities in municipalities. The transition from federal grants to loans under the federal Clean Water Act begins October 1, 1988 and seed money will be placed in the revolving loan fund for six years by the federal government with 20% match required by the state. The fund could finance over 300 million in sewage projects during the next 20 years. If Kansas does not establish this loan fund, the federal share (80%) would revert to the other states. Under this legislation up to 4% of the federal seed money provided to the state is to be used for reasonable administrative costs. Secretary Grant proposed amending SB 472 to allow 4% of the funds loaned thereafter to be used for administrative purposes. (ATTACHMENTS III, IV, V)

John Wynkoop testifying in support of SB 472, stated cities of the state have made noticeable improvements to rivers, streams and lakes, but significant needs remain. A state water pollution control revolving fund must be considered as part of the state water plan and be implemented for a healthy environment and economic growth. Establishment of the revolving fund means reduction in cost to rate payers and it benefits smaller cities in the process of financing projects and retaining the necessary engineering expertise. (ATTACHMENT VI)

John Metzler testified the Johnson County Wastewater Districts support the concept of the revolving fund and concurs in amendments proposed by the Kansas League of Municipalities. Mr. Metzler believes the proposed program will benefit both large and small communities and will be crucial to economic development and maintenance of infrastructures. Low interest rates for use of the revolving fund could dramatically reduce charges and taxes paid by taxpayers. Mr. Metzler requested the committee give its approval for this legislation. (ATTACHMENT VII)

Meeting adjourned. The next meeting will be January 22, 1988.

1-21-88
Guest List

Jerry Hoyle	KWF
Danell Montei	KW & Parks
TERRY STEVENS	CITY OF TOPEKA
Alan Wentz	Dep of Wildlife and Parks
Bob Meinen	" " " " "
Janet Stubbs	WBAK
Jerry Conrad	KGE
D. WAYNE ZIMMERMAN	KDOC
Jan Johnson	Budget Division
Mary Ann Bradford	League of Women Voters of KS
Don Dragg	KDOC
John Strickler	Governor's Office
William Leland	Comm. to Farm Organizations
Kevin Roberts	H/S Consulting Engrs.
George Barbee	KS Consulting Engrs.
Bill Henry	Kansas Engineering Society
John Reith	Office of Secretary of State
Glenn Coulter	KS Contractors Assoc.
Dan Rambow	KS Contractors Assn.
DAVID NUSZ	DEPT. OF HEALTH & ENVIRONMENT
Karl Muelclener	"
James Power	"
Amy Ki Hylett	"
Stanley C. Jovan	"
A. Kosher	League of KS Municipalities
John Winkoop	City of Wichita
MARLA HOWARD	CITY OF WICHITA
Willie Martin	Sedgewick County

John T. Torbert,

Ks Assn of Counties

January 21, 1988

TO: The Senate Committee on Energy and Natural Resources

The average Kansas citizen rarely sees a deer. When they do they are delighted to get a glimpse of such a graceful wild creature. So I recognize that Kansans who are "city folk" are not concerned with the increase in the deer population in our state. But, to the citizens in rural eastern Kansas, deer overpopulation has become a serious problem; and probably nowhere is it a greater dilemma than in the vicinity of Flint Oak Ranch where we have spent the past eight years cultivating a natural wildlife habitat to attract and sustain game birds.

From 1978 until the middle of 1982 we developed 2,800 acres in the Flint Hills into a wildlife refuge for birds, not allowing any hunting. We built watering pools, thinned dense stands of trees, and returned most of the land to natural grasses and weeds. Since opening the preserve, annually we plant 600 to 800 acres of food crops (maize, sorghum, etc.) and leave them unharvested to attract and hold our game bird population. Naturally, the deer love everything we have done, and each winter they thrive by mutilating our food plots! Kansas deer biologist, Keith Sexson, said, "You probably have more deer per acre than any place in the state!"

As early as 1979 we began working closely with the Kansas Fish & Game Department through our local game protector. Over the years many people in the Department (including the Chief Big Game biologist) have assisted us in an effort to solve the problems created by our ever-increasing deer population. From our standpoint we have appreciated and applied the Department's help and suggestions. Since hunting at Flint Oak is limited to Members and their guests, each year we have strongly encouraged our Kansas Members to apply for deer licenses and take deer from Flint Oak. In fact, everyone involved has done all that can be done within existing Kansas laws, yet the deer increase annually and their depredation of our plantings causes severe hardship and death to many of our game birds each winter. Our neighbors, too, are beginning to consider Flint Oak "an attractive nuisance" for sustaining a habitat that contributes to this unnatural increase in the local deer.

The bill that is before you would give the Wildlife and Parks Department authority to set guidelines which would help bring the deer population back under control in our area. As you know, deer have virtually no natural enemies in Kansas. Food supply and hunting are the only means of controlling their numbers. Private preserves that develop a natural wildlife habitat create an environment that causes an imbalance in nature unless effective controls exist. Like us, they look to and want guidelines from the Wildlife and Parks Department to maintain this balance. But under present Kansas laws it is impossible to take sufficient deer to restore a normal balance in our deer population (as is evident by the fact that they keep increasing). Due to the extent of the problem, it is our hope that you will pass this bill and work with the Wildlife Department to get some temporary regulations in place which will allow us to take action to reduce our deer population in the fall of 1988.

The passing of this bill would create a win-win situation for everyone. It would give the Wildlife and Parks Department the legal means to take action which will contribute positively to the state's overall wildlife management program. I cannot speak for other preserves, but Flint Oak has a broad-based appeal and attracts visitors from all over the world - even royalty. By controlling the deer population and eliminating their annual devastation to our food plots we will make bird hunting at our preserve even more outstanding in the winter months. This will result in more out-of-state visitors spending dollars in Kansas each winter, creating favorable "word of mouth" about Kansas which will further enhance our state's public image. Finally, even our local deer herd will benefit by maintaining the herd at a size where all animals can remain full-bodied and healthy rather than suffer the inevitable result of increasing overpopulation.

Respectfully submitted by Raymond E. Walton, owner
FLINT OAK RANCH Elk County R.R. 1 Fall River, KS (316) 658-4401

ATTACH F
1-21-88

S.B. 475

TESTIMONY PROVIDED TO: SENATE ENERGY AND NATURAL RESOURCES
COMMITTEE - January 21, 1988

PRESENTED BY: KANSAS DEPARTMENT OF WILDLIFE AND PARKS

S.B. 475 would authorize the Department to develop rules and regulations concerning the issuance of special permits for the hunting of deer on Controlled Shooting Areas. The special permits would be issued to the licensee. The special permits are intended to address the problem of inadequate harvest during the regular season on private membership Controlled Shooting Areas.

Although there are approximately 45 Controlled Shooting Areas in the state, problems of inadequate deer harvest opportunity occurs on private membership areas which are limited to only member-guest hunting. We are aware of about 10 private membership operations, and they can experience occasional problems. It would be our intent to issue a prescribed number of special permits to the licensee to obtain a proper deer harvest.

The majority of Controlled Shooting Areas are fee operations and are therefore available to any sportsman wishing to use those areas. An adequate deer harvest can be obtained during the regular deer seasons and special permits should not be necessary.

We would suggest the following amendments to S.B. 475:

- (1) In line 0023, we recommend the insertion of private membership in front of "game bird controlled shooting area ..."
- (2) In line 0033, it should be reworded to recognize the Commissions' authority to adopt rules and regulations rather than the Secretary.

The Kansas Department of Wildlife and Parks supports S.B. 475 with the above recommended amendments.

Attach II
1-21-88

Testimony Presented to

Senate Energy and Natural Resources Committee

by

The Kansas Department of Health and Environment

Senate Bill 472

Mr. Chairman and Members of the Committee:

Senate Bill 472 is a new statute intended to establish a Kansas Water Pollution Control Revolving Fund Program to provide loans to Kansas municipalities for construction of municipal wastewater collection and treatment facilities. The Federal Water Quality Act of 1987 phases out this construction grants program after October 1, 1991.

Since 1972, Kansas municipalities have received \$408 million in federal grants through the United States Environmental Protection Agency Construction Grants Program established by Public Law 92-500, or the Clean Water Act. The Act provides a transition from grants to loans beginning October 1, 1988. The Act provides for six years of federal seed money to be placed in a State revolving loan fund set up in accordance with specific conditions of the Federal Act. A separate paper titled "Kansas Water Pollution Control Revolving Fund" is attached to this testimony and presents specific program details and answers various questions regarding administration of the revolving fund program. The Kansas Water Pollution Control Revolving Fund can only be used for sewerage and water quality needs and must be set up and administered in accordance with the Federal Water Quality Act of 1987.

Kansas sewage collection and treatment needs are significant. Infrastructure studies by Department of Commerce identified 5 year needs between \$236 and \$400 million. \$300 million in projects identified on KDHE's present priority list. Economic development potential of some Kansas communities could be limited because of these sewerage needs being unmet.

The Kansas Water Pollution Control Revolving Fund would provide sufficient sewage collection/treatment systems to accommodate economic development. A total of \$92 million, including a mandatory 20% match provided by the State of Kansas, is potentially available to satisfy present needs and establish an attractive revolving loan fund in perpetuity. The State revolving fund would be established over a six-year period in accordance with the following schedule:

FFY	\$Million (Federal)	\$Million (State)	\$Million (Total)
89	10.95	2.19	13.14
90	10.95	2.19	13.14
91	21.91	4.38	26.29
92	16.43	3.29	19.72
93	10.95	2.19	13.14
94	5.49	1.10	6.59
	<u>76.68</u>	<u>15.34</u>	<u>92.02</u>

ATTACH III
1-21-88

This fund has the potential to finance over \$300 million in sewage projects during the next 20 years depending on loan conditions, the selected repayment period and the interest rate. The opportunity to combine four federal dollars with a single state dollar in a revolving loan fund for pollution control over the next six years would provide another potential funding option for local governments. With the EPA grants program phasing out we will be searching for alternative financing systems. This fund is one alternative.

Recognizing this opportunity and potential benefit to the State of Kansas, meetings have been held with representatives of the Kansas League of Municipalities, local government, the Kansas Contractors Association, the Kansas Consulting Engineers, the Kansas Engineering Society and the Kansas Department of Health and Environment to discuss the needs and means for establishing the fund. Representatives of other State agencies, professional societies and private firms have also attended these discussions.

The Kansas Water Pollution Control Revolving Loan Program was considered by the Interim Joint Committee on Economic Development during the fall of 1987. Senate Bill 472 is a product of that Committee's deliberations. Representatives of the Kansas Department of Health and Environment have met with city officials across the State to further explore the specific needs for the revolving loan fund, and we were generally met with interest and support. Most cities consider this fund as an attractive financing source to be explored during project development. Passage of Senate Bill 472 is necessary to create the Water Pollution Control Revolving Loan Fund Program.

Creation of the Kansas Water Pollution Control Revolving Loan Fund allows Kansas to use the opportunity to provide \$92 million for loans (80% Federal + 20% State) to Kansas municipalities for construction of wastewater works. Without the loan fund the federal share, \$77 million, would be provided to other states which have developed a revolving loan program.

Passage of S.B. 472 is the first step in creating a State revolving loan fund. The institutional framework to administer the fund and the source of the 20% State match must still be determined. The provisions of S.B. 472 allow the Department to establish the institutional framework through regulations. The fund should be established and be in place by October 1, 1988 to take maximum advantage of the Federal funds.

Section 2(b)(6) allows 4% of the federal seed money provided to the State under Title VI of the Water Quality Act of 1987 to be used for the reasonable costs of administering the fund and conducting activities under the Act. Since the revolving loan fund is to be maintained in perpetuity, administration costs will not end when the federal seed money is no longer provided in six years. We would request that S.B. 472 be amended to allow 4% of the seed money to be used for administrative purposes during the first six years, and to allow 4% of the amount of funds loaned thereafter to be used for administrative purposes.

Mr. Chairman and Members of the Committee, we support Senate Bill 472 with the requested amendment and urge your approval.

FUNDING SCHEDULE

PROPOSED STATE REVOLVING LOAN FUND

FFY	\$MILLION (FEDERAL)	\$MILLION (STATE)	\$MILLION (TOTAL)
89	10.95	2.19	13.14
90	10.95	2.19	13.14
91	21.91	4.38	26.29
92	16.43	3.29	19.72
93	10.95	2.19	13.14
94	<u>5.49</u>	<u>1.10</u>	<u>6.59</u>
	76.68	15.34	92.02

**by KDHE
JAN. 88**

NOVEMBER 1987

SUPPLEMENT TO
KANSAS WATER POLLUTION CONTROL
REVOLVING FUND

As Authorized In The
Federal Water Quality Act of 1987
(Public Law 100-4)

August 1987

ATTACH IV
1-21-88

SUPPLEMENT TO
APPENDIX E

EXAMPLE PROJECT

During discussions with interested and affected parties concerning the project comparison presented in the August 1987 document, the parties requested clarification and further information on the following scenarios:

1. The parties believe the worst case 25% surcharge for federal requirements is too extreme. The consensus of the group was that a surcharge of 8% to 12% was more realistic. Therefore, cost breakdowns using a 10% surcharge are included in the table below.
2. Many entities use revenue bonds to finance sewerage improvements. Revenue bonds generally require a reserve account with a minimum of one year's principal and interest in reserve. For the example included in the table below, a minimal reserve account was assumed. Depending upon the general financial condition of the entity, a greater reserve amount could be required.

Project Comparison

	SRF	Revenue Bonds	SRF	Revenue Bonds
Repayment Period	15 yrs	15 yrs	20 yrs	20 yrs
Interest Rate	4%	8.5%	4%	8.5%
Project Cost	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Financing Cost	0	80,000	0	80,000
Reserve Account	0	130,000	0	115,000
Surcharge for EPA Reqm'ts	100,000	0	100,000	0
Financed Amount	1,100,000	1,210,000	1,100,000	1,195,000
Payment Schedule Year				
1	98,934	145,708	80,938	126,275
2	98,934	145,708	80,938	126,275
3	98,934	145,708	80,938	126,275
4	98,934	145,708	80,938	126,275
5	98,934	145,708	80,938	126,275
6	98,934	145,708	80,938	126,275
7	98,934	145,708	80,938	126,275
8	98,934	145,708	80,938	126,275
9	98,934	145,708	80,938	126,275
10	98,934	145,708	80,938	126,275
11	98,934	145,708	80,938	126,275
12	98,934	145,708	80,938	126,275
13	98,934	145,708	80,938	126,275
14	98,934	145,708	80,938	126,275
15	98,934	145,708	80,938	126,275
16	0	0	80,938	126,275
17	0	0	30,938	126,275
18	0	0	80,938	126,275
19	0	0	80,938	126,275
20	0	0	80,938	126,275
Total Payment	\$1,484,010	\$2,185,620	\$1,618,760	\$2,525,500

STATE OF KANSAS

KANSAS WATER POLLUTION CONTROL
REVOLVING FUND

As Authorized In The
Federal Water Quality Act of 1987
(Public Law 100-4)

August 1987

MIKE HAYDEN, GOVERNOR

Stanley C. Grant, Secretary
Gary K. Hulett, Under Secretary
KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT

James A. Power, Jr., Director
Division of Environment

Gyula F. Kovach, Manager
Bureau of Water Protection

KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT
Forbes Field, Topeka, Kansas 66620
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ATTACH V
1-21-88

KANSAS WATER POLLUTION CONTROL REVOLVING FUND

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WHAT ARE STATE REVOLVING FUNDS (SRF)?

The federal Water Quality Act of 1987 (Public Law 100-4) terminates the EPA Construction Grants Program after FFY 90. Recognizing that significant water quality and sewerage needs still persist across the nation, Congress included a provision for authorizing additional federal monies to be distributed to the states as capitalization grants to establish revolving funds to serve as a perpetual source of revenues for the correction of water quality problems and to satisfy sewerage facility needs. The capitalization grants are authorized over a 6-year period beginning in FFY 89 (October 1, 1988) and ending after FFY 94.

State revolving funds are restricted funds established from the federal capitalization grants, the minimum 20 percent state matching monies, and any other proceeds or revenues deposited into the fund as required by the Water Quality Act of 1987 and specific state revolving fund authorizing statutes. Section 212 of the Water Quality Act of 1987, which authorizes SRFs, is included in Appendix A.

WHAT ARE KANSAS NEEDS FOR USING AN SRF?

The 1984 Kansas Department of Economic Development's (KDED) research paper on "Kansas Infrastructure" identified between \$236 to \$400 Million in sewerage system needs over the next five years to service the existing population. KDED utilized a combination of community surveys, the 1984 EPA Preliminary Needs Survey, and the Kansas Department of Health & Environment's (KDHE) Construction Grants Project Priority List to develop their sewerage needs estimate. The FFY 87 KDHE priority list contains projects totalling nearly \$300 Million from about 100 Kansas local governments. Projects listed on the KDHE priority list are needed to protect water quality and public health.

A more definitive, but not all-inclusive, list of Kansas sewerage system needs is included in Appendix B. This list was assembled by KDHE staff by screening all existing known lists. Local officials will be contacted to determine the local importance placed on these projects. The projects are fairly well distributed geographically in the State; however, as can reasonably be expected, the greatest sewerage needs are in the urban and urbanizing areas. The Kansas Water Pollution Control Revolving Fund can be a significant source of funds to satisfy these needs. It should be noted the fund is not limited to the projects listed in this paper or in any of the above lists.

HOW MUST AN SRF BE SET UP?

To receive a federal capitalization grant, a state must establish -- by statute, executive order, or other legal mechanism -- a water pollution control revolving fund. The legal mechanism used to establish the fund must empower and require an existing or new instrumentality of the state to do the following:

1. Enter into capitalization grant agreements with the Environmental Protection Agency (EPA).
2. Operate the fund in accordance with the objectives and requirements of the Clean Water Act as amended by the Water Quality Act of 1987.
3. Ensure that the fund and all repayments from assistance provided by the fund be available in perpetuity.
4. Make financial assistance available by loans, that is, the dedicated fund cannot provide grant assistance.
5. Restrict assistance from the fund to projects that appear on the state's priority list and intended use plan. The priority list is a flexible projects need list which is annually updated; the intended use plan is an agreement with EPA for use of the funds.

Draft statutory provisions establishing the fund are included in Appendix C.

HOW MUCH FEDERAL MONEY IS AVAILABLE TO KANSAS?

Subject to the conditions of the Water Quality Act of 1987, the following amounts are authorized for Kansas (rounded to two decimal places):

<u>FFY</u>	<u>\$ Million (federal)</u>
89	10.95
90	10.95
91	21.91
92	16.43
93	10.95
94	5.48
Total	<u>\$76.67 Million</u>

The actual amounts granted to Kansas are subject to certain conditions as well as Congressional appropriation.

WHAT IS THE MOST SIGNIFICANT CONDITION OF THE CAPITALIZATION GRANTS?

Congress has authorized a significant amount of federal money for satisfying water quality and sewerage needs. It is Congressional intent to encourage state and local governments to become more involved in environmental protection programs by assuming a greater financial stewardship role. Consistent with that more active partnership goal, the Water Quality Act of 1987 requires states to deposit a minimum of 20 percent matching money into the perpetual fund. In Kansas, this provision means the following amounts must be deposited into the fund before each FFY's federal money will be released to the state:

<u>FFY</u>	<u>\$ Million (state)</u>
89	2.19
90	2.19
91	4.38
92	3.29
93	2.19
94	1.10
Total	<u>\$15.34</u> Million

Therefore, a total of \$92.01 Million (\$76.67 M + \$15.34 M) could be available in a perpetual fund to finance correction of emerging water quality problems and to satisfy statewide sewerage needs. The financial impetus of the SRF to satisfy sewerage infrastructure needs would also stimulate economic development.

WHAT OTHER CONDITIONS APPLY TO THE CAPITALIZATION GRANTS?

The state must negotiate an operating agreement with EPA that provides for the continual operation of the SRF. Conditions include the following:

1. EPA must accept the state's administrative proposal.
2. The state must submit an intended use plan at least 90 days before the beginning of the fiscal year for which assistance is sought. The intended uses must be consistent with the annually updated project priority list. An actual use report must be submitted no later than 90 days after the end of each federal fiscal year. Some of these requirements may not apply after FFY 94, the last year of capitalization grants.
3. All the money in the SRF must be expended in a timely and expeditious manner. This currently means a state must enter into binding commitments with local governments to provide financial assistance in an amount equal to 120 percent of each capitalization grant payment within one year of receiving the payment. The 120 percent figure represents the federal contribution plus the 20 percent state match.
4. The state must negotiate, with the administrator of EPA, a schedule of quarterly payments under which the federal money will be paid to the state.
5. The state must agree to abide by the conditions of the Water Quality Act of 1987 and to prevent waste, fraud, or abuse of federal monies.
6. The state must comply with its own laws for the commitment and expenditure of revenues. Also, the state and its loan recipients must comply with federal accounting, auditing, and fiscal procedures.

HOW CAN THE \$92 MILLION BE USED?

Congress intended that most of the financial assistance provided by an SRF be in the form of loans to local governments for water pollution control facilities and programs. The loan repayments would then provide a continuing source of capital for satisfying water quality and sewerage needs. Allowable uses of the money are as follows:

1. Direct loans for construction.

The conditions placed on loans made from an SRF are intended to maintain the financial integrity of the fund and to ensure that money will be available to address the diverse water quality and sewerage needs of a state's local governments.

2. Administrative costs of the SRF.

Eligible administrative costs include all of the costs of technical project reviews and management associated with administering the loan program as well as the costs of servicing loans, program start-up costs, financial, management, and legal consulting fees.

Up to four percent of the federal capitalization grants can be used for the SRF administrative costs. For Kansas, this provision makes available the following amounts:

<u>FFY</u>	<u>\$ Million</u>
89	0.438
90	0.438
91	0.876
92	0.657
93	0.438
94	0.219
Total	\$3.066 Million

To maintain the financial integrity of the SRF, a state may also establish administrative fees in the form of interest as part of the loan agreements.

3. Refinancing local debt.

An SRF may purchase or refinance a local debt obligation if the debt was incurred after March 7, 1985, and the local government had proceeded with an eligible project in order to achieve compliance with a wastewater permit requirement.

4. Guarantees or insurance for local debt.

A local government may be able to more easily access credit markets or receive a reduced interest rate under this option. However, this type of

program generally requires a withdrawal of funds from the SRF without an annual repayment requirement. The annual purchasing power of the SRF is then reduced for the term of the guaranteed loan.

5. Leveraging.

The SRF may be used as a source of revenue or security for payments on bonds issued by a state if the proceeds of the bond sale are deposited in the SRF. A state must comply with all of its own securities laws and regulations as well as those of the federal government. The Tax Reform Act of 1986 significantly impacts this option.

6. Earn interest.

An SRF may earn interest on fund accounts, subject to the requirements for timely and expeditious expenditure of federal capitalization grant funds and federal and state arbitrage limits.

FOR WHAT CAN THE \$92 MILLION BE USED?

The fund must primarily be used to provide assistance to local governments for construction of publicly-owned wastewater treatment works to bring the facilities into compliance with their wastewater permit conditions or to satisfy other water quality needs. The term "construction" includes planning, design, legal, and fiscal costs associated with physical completion of a project. Eligible treatment works include treatment facilities, interceptor sewers, sewage collection systems, pumping stations, combined sewer correction, and storm water runoff treatment as necessary for water quality needs. The most cost-effective solution, including new construction, remodeling, alteration, rehabilitation, or combinations thereof must be chosen.

Additionally, a portion of the money can be reserved for implementation of certain nonpoint source correction programs and groundwater protection programs. The federal guidelines have not been completed for these programs. Initial consideration has centered around initial state program development with construction of a limited number of demonstration projects.

After FFY 94 most of the federal restrictions will not apply. However, the basic requirements of applying the fund for the construction of sewerage and water quality control facilities will remain.

WHAT IMPACT CAN THE SRF HAVE ON KANSAS' SEWERAGE NEEDS?

The states are given maximum flexibility to establish their loan programs. Therefore, an almost infinite number of options and combinations of terms are possible. The program must be competitive with conventional local financing and yet

allow the fund to grow to meet future needs. Appendix D contains a series of example loan programs. The examples show the impacts of varying interest rates and loan repayment periods on the fund over a 20-year period. Appendix E compares financing an example project with loan assistance from the SRF and variable term conventional financing.

A properly structured SRF will provide a viable, competitive source of monies to help satisfy Kansas sewerage needs.

WHAT TERMS AND CONDITIONS APPLY TO THE LOANS?

Loans must be made at or below market interest rates for terms not to exceed 20 years. Each loan recipient must have a dedicated source of revenue to begin paying back the principal and interest not later than one year after the project is operable for its intended purposes. Payments must be made at least annually and must be credited to the SRF. States have maximum flexibility to establish loan interest rates, length of term, and amortization schedules. State authorizing legislation must be passed and regulations adopted to govern the loan program (See Appendix C).

WHAT OTHER CONDITIONS APPLY TO INDIVIDUAL PROJECTS?

For sewerage needs projects, some of the former EPA construction grants requirements will apply for at least the first round of loans or until existing water quality needs are satisfied whichever occurs earlier. The most significant of these requirements are as follows:

1. Assistance is limited to projects for cost-effective secondary treatment, advanced treatment, new interceptors, pumping stations and appurtenances, and infiltration/inflow correction. A state may elect to reserve up to 20 percent of the funds for categories of collector sewers and general sewer rehabilitation projects. A portion of the 20 percent reserve could also be used for nonpoint source control and groundwater protection program management and demonstration projects. Future capacity restrictions will not apply.
2. Projects must be consistent with Kansas Water Quality Management Plans.
3. The applicant must show that the related sewage collection system is not subject to excessive infiltration or inflow.
4. The applicant must select the most cost-effective solution, must consider innovative or alternative technologies for problem resolution, and must take into account opportunities to make more efficient uses of resources and energy.

5. Local governments must develop user charge systems and must have the legal, institutional, managerial, and financial capability to construct, operate, and maintain the sewerage works.
6. One year after the completion of construction, the local government must certify the facility meets its design specifications and permit limitations or make necessary corrections to allow positive certification.
7. All projects estimated to cost over \$10 Million must have a value engineering review.
8. The National Environmental Policy Act (NEPA) requirements apply until a state develops its own EPA approved environmental impact review procedures. A state must have approved procedures in effect before FFY 94 (October 1, 1993) in order to receive the FFY 94 capitalization grant.
9. The provisions of the 1964 Civil Rights Act and subsequent amendments apply.
10. Applicable labor standards apply.

WHAT ARE THE TIME CONSTRAINTS?

The Clean Water Act provides a two-year period for a state to obligate the authorized capitalization grant amounts. If the funds are not obligated within the two-year period, any remaining monies are withdrawn to the national pool and reallocated to those states who have met the obligation commitment. Since the first capitalization grant amounts are authorized to begin in FFY 89 (October 1, 1988), Kansas would have to obligate that year's money before October 1, 1990 or be subject to reallocation loss.

In order to have benefit of the full two years to obligate the FFY 89 monies, the Kansas Water Pollution Control Revolving Fund would have to be established early in calendar year 1988 with the State's project priority list, intended use plan, and grant application submitted to Region VII EPA by July 1, 1988. This requires the enactment of a Kansas Water Pollution Control Revolving Fund Act similar to the draft statutory provisions included in Appendix C.

APPENDIX A

Section 212 of the Water Quality Act of 1987

SEC. 212. STATE WATER POLLUTION CONTROL REVOLVING FUNDS.

(a) ESTABLISHMENT OF PROGRAM.—The Act is amended by adding at the end thereof the following new title:

H. R. 1—16

**“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(l)(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 portion 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 amounts 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.”.

SEC. 213. IMPROVEMENT PROJECTS.

(a) **AVALON, CALIFORNIA.**—The Administrator shall make a grant of \$3,000,000 from funds allotted under section 205 of the Federal Water Pollution Control Act to the State of California for fiscal year 1987 to the city of Avalon, California, for improvements to the publicly owned treatment works of such city.

(b) **WALKER AND SMITHFIELD TOWNSHIPS, PENNSYLVANIA.**—Out of funds available for grants in the State of Pennsylvania under the third sentence of section 201(g)(1) of the Federal Water Pollution Control Act in fiscal year 1987, the Administrator shall make grants—

(1) to Walker Township, Pennsylvania, for developing a collector system and connecting its wastewater treatment system into the Huntingdon Borough, Pennsylvania, sewage treatment plant, and

(2) to Smithfield Township, Pennsylvania, for rehabilitating and extending its collector system.

(c) **TAYLOR MILL, KENTUCKY.**—Notwithstanding section 201(g)(1) of the Federal Water Pollution Control Act or any other provision of law, the Administrator shall make a grant of \$250,000 from funds allotted under section 205 of such Act to the State of Kentucky for fiscal year 1986 to the city of Taylor Mill, Kentucky, for the repair and reconstruction, as necessary, of the publicly owned treatment works of such city.

(d) **NEVADA COUNTY, CALIFORNIA.**—Out of funds available for grants in the State of California under the third sentence of section 201(g)(1) of the Federal Water Pollution Control Act in fiscal year 1987, the Administrator shall make a grant for the construction of a collection system serving the Glenshire/Devonshire area of Nevada County, California, to deliver waste to the Tahoe-Truckee Sanitary District's regional wastewater treatment facility.

(e) **TREATMENT WORKS FOR WANAQUE, NEW JERSEY.**—In fiscal year 1987 and succeeding fiscal years, the Administrator shall make grants to the Wanaque Valley Regional Sewerage Authority, New Jersey, from funds allotted under section 205 of the Federal Water Pollution Control Act to the State of New Jersey for such fiscal year, for the construction of treatment works with a total treatment capacity of 1,050,000 gallons per day (including a treatment module with a treatment capacity of 350,000 gallons per day). Notwithstanding section 202 of such Act, the Federal share of the cost of construction of such treatment works shall be 75 percent.

(f) **TREATMENT WORKS FOR LENA, ILLINOIS.**—The Administrator shall make grants to the village of Lena, Illinois, from funds allotted under section 205 of the Federal Water Pollution Control Act to the

APPENDIX B

Kansas Needs List

REPORTED CURRENT SEWERAGE NEEDS
Systems 5,000 P.E. and Larger

City	Sewerage Needs (\$ Million)		
	Treatment	Infiltration/Inflow Correction & Rehab.	Interceptors/ Collectors
Arkansas City			0.682
Atchison			4.000
Bonner Springs	0.050	0.789	
Coffeyville		3.041	
Derby			0.100
Dodge City			6.075
Fort Scott		1.777	
Hays			1.030
Hutchinson	1.800		
Independence		1.042	3.395
Johnson Co. U.W.D.	22.670	49.197	4.218
Junction City			0.141
Kansas City	0.503	19.215	44.285
Lansing			0.097
Lawrence		5758	0.195
Leavenworth			1.722
Liberal			4.765
McPherson	1.000		0.118
Olathe			8.000
Ottawa			0.476
Pittsburg		6.000	2.000
Pratt	5.442	0.882	0.700
Salina	7.132		0.280
Topeka	14.275		21.756
Wichita	39.860	10.944	64.106
Winfield			2.068
Totals	92.732	98.645	170.601

Summation = \$361.978 Million

APPENDIX C

Draft Statutory Provisions

An Act
Creating the Kansas Water Pollution Control Revolving Fund
and Administration Thereof

Be it enacted by the Legislature of the State of Kansas:

Section 1. This act shall be known and may be cited as the Kansas Water Pollution Control Revolving Fund Act.

Section 2. As used in this act:

- (a) "Clean Water Act" means the Federal Clean Water Act as amended by the Water Quality Act of 1987 (Public Law 100-4).
- (b) "Fund" means the Kansas Water Pollution Control Revolving Fund as established in Section 3 of this act.
- (c) "Sewerage needs" means projects necessary for extensions to, modifications to, or expansion of public sewerage systems.
- (d) "Public sewerage system" means the system of pipes, pumping stations, force mains, treatment facilities, sludge handling facilities, and appurtenances for the conveyance and treatment of sewage under the jurisdiction of a local government.
- (e) "Local government" means any municipality, county, township, sewer district, improvement district, or other public taxing entity authorized under Kansas statutes to treat or dispose of sewage.
- (f) "Department" means the Kansas Department of Health and Environment.
- (g) "Secretary" means the secretary of the Kansas Department of Health and Environment unless specified otherwise.

Section 3. The Kansas Water Pollution Control Revolving Fund is hereby established as a perpetual fund to assist qualified local governments in correction of water quality problems and satisfying sewerage needs. The fund shall be established for provisions in conformance with the Clean Water Act as follows:

- (1) No grants shall be made from the fund.
- (2) Financial assistance shall be provided only as loans to eligible local governments.
- (3) Loans shall be made only to local governments that:
 - (a) meet the requirements of financial capability set by the secretary of the department to assure sufficient revenues to operate and maintain the facility for its useful life and to repay the loan;

- (b) pledge sufficient revenues for repayment of the loan, provided that such revenues may only by law be pledged for that purpose;
 - (c) agree to operate and maintain the wastewater facility so that the facility will function properly over the structural and material design life, which shall not be less than twenty years unless otherwise approved by the secretary of the department;
 - (d) agree to properly maintain financial records and to conduct audits of the project's financial records as required;
 - (e) provide a written assurance, signed by an attorney, that the local authority has proper title, easements and rights-of-way to the property upon or through which the sewerage facility proposed for funding is to be constructed or extended;
 - (f) require the contractor of the construction project to post a performance and payment bond or other security in the amount of the bid;
 - (g) provide a written notice of substantial completion and start of operation of the facility;
 - (h) agree to repay the loans in equal annual installments with the first annual installment due within one year of the date the loan is issued;
 - (i) agree to employ a registered professional engineer to provide and be responsible for engineering services on the project. Such services include but are not limited to engineering reports, plans, specifications, other construction contract documents, supervision of construction and start-up services including project performance certification as required by the secretary; and,
 - (j) construct only eligible items. For loans made in whole or in part from federal funds, eligible items are those identified pursuant to the Clean Water Act.
- (4) Administrative costs may be assessed against the fund.
- (5) The federal funds allocated to the state pursuant to the Clean Water Act for the purpose of making loans to local authorities shall be deposited in the fund. All receipts from the repayment of loans made pursuant to the Kansas Water Pollution Control Revolving Fund Act shall be deposited in the fund. Earnings on balances in the fund shall be credited to the fund. Money remaining in the fund at the end of any fiscal year shall not revert to the general fund but shall accrue to the credit of the fund.

- (6) State money appropriated to carry out the provisions of the Kansas Water Pollution Control Revolving Fund Act shall be used to match federal funds allocated to the state pursuant to the Clean Water Act for the purpose of making loans to local governments.

Section 4. The secretary of the department is authorized to enter into capitalization grant agreements with the Environmental Protection Agency and shall be responsible for establishing the technical program elements in conformance with the Clean Water Act. The Kansas Department of Commerce shall be responsible for the financial maintenance of the fund including the transfer of the loans to the local governments as determined by the secretary of the department.

Section 5. The secretary of the Kansas Department of Commerce and the secretary of the department shall enter into an interagency agreement for coordination of their respective duties and responsibilities under this act.

Section 6. The secretary of the department is hereby authorized to adopt rules and regulations establishing the terms, conditions and administration of this act including the use of the fund.

APPENDIX D

Example Loan Program

Example Loan Program

To show the potential for an SRF to help satisfy Kansas' sewerage needs, a series of calculations were made to show the impact of varying both the loan interest rate and the repayment period. The results are shown on the table below. The calculations were made based upon the following goals and assumptions:

1. Maximize the amount of loans.
2. Annual repayments.
3. Return on fund balances at 5%.
4. Inflation rate at 5%.
5. Payments beginning one year after the loan.
6. Annual administrative cost at \$438,000.

The program was developed to show the relative impact of varying interest rates and repayment periods. Modifying the assumptions above will change the total loan potential but will not change the relative results of the table. That is, by changing the loan repayment period from 20 years to 15 years, the SRF can be expected to generate an additional \$50 Million to \$80 Million in loans over the 20-year period. Similarly, raising the interest rate by two percent will yield a minimum of \$40 Million for additional loans.

SRF LOAN POTENTIAL (\$ MILLION)									
Loan Year	Rate	15 Year Repayment				20 Year Repayment			
		0%	2%	4%	6%	0%	2%	4%	6%
1		11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
2		13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
3		27.0	27.0	27.0	29.0	27.0	27.0	27.0	29.0
4		24.0	24.0	24.0	25.0	21.0	22.5	24.0	24.0
5		18.0	19.0	18.0	21.0	17.0	17.5	18.0	19.5
6		12.0	14.0	15.0	16.5	11.0	12.0	13.0	15.0
7		7.0	8.0	10.0	12.0	5.0	6.5	7.0	9.5
8		7.0	9.0	11.0	13.0	5.0	6.5	8.0	10.0
9		7.5	9.5	12.0	14.0	5.0	7.0	8.5	11.0
10		8.0	10.0	13.0	15.5	5.5	7.0	9.0	12.0
11		8.5	10.5	13.5	17.0	5.5	7.5	10.0	13.0
12		9.0	11.5	15.0	19.0	6.0	8.0	11.0	14.0
13		10.0	12.5	16.0	21.0	6.0	8.5	12.0	15.5
14		10.0	14.0	17.0	23.0	6.5	9.0	12.5	17.0
15		11.0	14.5	19.0	25.0	7.0	9.5	13.5	18.0
16		12.0	16.0	21.0	28.0	7.0	10.5	14.5	20.0
17		12.0	16.0	22.0	30.0	8.0	10.5	15.5	21.5
18		12.0	16.5	22.0	31.5	8.0	11.5	16.5	23.0
19		11.0	15.5	22.0	31.5	8.5	12.0	17.5	26.0
20		10.0	15.0	22.0	32.0	9.0	13.0	18.5	27.5
Total Loan Potential		240.5	287.0	344.0	428.5	192.5	230.5	280.5	350.0

APPENDIX E

Example Project

Example Project

To compare a conventionally-financed project to an SRF example, a \$1.0 Million project is selected. For the conventionally-financed project, the \$1.0 Million cost is assumed total costs before financing; that is, the cost does not include temporary financing and bond costs. For this example, the financing costs are assumed to be 8% of the project costs yielding a total amount of \$1,080,000 to be bonded. For the SRF example, it is assumed temporary financing and bond costs do not apply. However, a surcharge of 25% is assessed against the project due to the federal conditions attached to the loan project (recall these conditions should no longer apply after FFY 94). Therefore, as a worst case test, a total of \$1,250,000 is assumed to be financed from the SRF.

The \$1,080,000 conventionally-financed project is assumed to be financed by bonds at 8.5%, which was selected as representative of a June 1987 Johnson County project financing estimate for 15 and 20-year bonds. The \$1,250,000 SRF project is assumed to be paid over 15 years and 20 years at 4%.

Project Comparison

	SRF	Conventional Financing	SRF	Conventional Financing
Repayment Period	15 yrs	15 yrs	20 yrs	20 yrs
Interest Rate	4%	8.5%	4%	8.5%
Project Cost	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Financing Cost	0	80,000	0	80,000
Surcharge for EPA Req'm'ts	250,000	0	250,000	0
Financed Amount	1,250,000	1,080,000	1,250,000	1,080,000
Payment Schedule Year				
1	112,425	158,000	91,975	141,210
2	112,425	151,850	91,975	136,620
3	112,425	145,700	91,975	132,030
4	112,425	139,540	91,975	127,440
5	112,425	133,380	91,975	122,850
6	112,425	127,220	91,975	118,260
7	112,425	121,070	91,975	113,670
8	112,425	114,910	91,975	109,080
9	112,425	108,760	91,975	104,490
10	112,425	102,600	91,975	99,900
11	112,425	96,440	91,975	95,310
12	112,425	90,290	91,975	90,720
13	112,425	84,130	91,975	86,130
14	112,425	77,980	91,975	81,540
15	112,425	72,360	91,975	76,950
16	0	0	91,975	72,360
17	0	0	91,975	67,770
18	0	0	91,975	63,180
19	0	0	91,975	58,590
20	0	0	91,975	54,000
Total Payment	<u>\$1,686,375</u>	<u>\$1,724,230</u>	<u>\$1,839,500</u>	<u>\$1,952,100</u>

Senate Bill No. 472

Senate Energy and Natural Resources Committee

January 21, 1988

Chairman Werts, members of the committee, I am John Wynkoop, Director of Water and Water Pollution Control for the City of Wichita. I am here today in support of the proposed Senate Bill No. 472.

I have been a member of the city staff since 1960. Since passage of the Federal Water Pollution Control Act of 1972, I have been involved in the federal program at the local level. Although it is now known as the Clean Water Act or Water Quality Act of 1987, it is, nevertheless, the same program that began almost 16 years ago. Under the direction of the Kansas Department of Health and Environment, the cities of this state have made significant water quality improvements to our rivers, streams and lakes. The results of this program have been well documented and we all can take pride in the work that has been done to date.

Although many millions of federal and local dollars have been spent in the improvement of our Kansas waters, there remains, however, significant needs. How will those needs be met now that the Environmental Protection Agency grant program is being terminated in 1990? The federal government has offered to finance a state revolving fund program of \$76.67 million over the next six years providing the state provides \$15.34 million in 20% matching funds. We can ill afford not to take advantage of this offer. The City of Wichita alone will need over \$43 million during the next five years to finance the sewerage requirements of its capital improvement program. This does not include \$32 million in improvements to the city's wastewater treatment plant scheduled for the receipt of bids on February 5, 1988. That project will be partially financed from an EPA grant of \$14.9 million, with the city issuing revenue

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bonds estimated at \$17 million for the remaining balance. While the city knows the process of large debt financing and the City Council has supported sewer rate increases of 10% per year for the next 4 years to improve the water quality of the Arkansas River, there remains a number of needed projects which will continue to financially impact our citizens. A state revolving fund means a reduction in costs to those ratepayers, which is a direct return of their federal and state taxes. Although the City of Wichita and other large cities would benefit from a state revolving fund, the real winners would be the small communities of Kansas. While the City of Wichita has staff experts on finance and deal annually in the bond market, the smaller cities do not. They must go through the process of retaining engineers, bond underwriters and bond attorneys to assist them. All at a cost that is usually disproportionately high for a small bond issue. A state revolving fund would eliminate most of these costs as well as reduce the cost of borrowing.

A final thought, as a member of the Kansas Water Authority, I know the number one water issue with Kansans is that of cleaning up those areas where water pollution exists and preventing our present fresh water sources from being polluted in the future. Governor Hayden has requested in his budget \$4.2 million from economic development funds to begin the implementation of the state water plan. A state water pollution control revolving fund, designed to improve the quality of our wastewater discharges into our streams and rivers, must be considered to be part and parcel of the state water plan. In terms of economic development, an acceptable method of treatment and clean up of domestic, industrial and commercial wastes by our municipally owned sewage treatment plants means a healthy environment to expand our present economic base while attracting new economic growth to our communities.

Prepared by:
John Metzler
January 20, 1988

JOHNSON COUNTY UNIFIED WASTEWATER DISTRICTS

Testimony Before The Senate Energy and Natural Resources Committee
Regarding Senate Bill 472

I am John Metzler, Chief Engineer of the Johnson County Unified Wastewater Districts. I thank the Committee for this opportunity to testify on Senate Bill 472, which proposes establishment of a State revolving fund for water pollution control facilities. The matter of a State revolving fund program in Kansas has been discussed at some length with the Johnson County Board of County Commissioners, and has their unequivocal support. The Johnson County Unified Wastewater Districts now serves approximately a quarter of a million people, and has a continuing need to provide the sewerage facilities which will provide opportunities for economic development, as well as maintain the existing sewerage facilities infrastructure. The following specific statements are offered regarding this proposed legislation.

1. The Johnson County Unified Wastewater Districts fully supports the concept of a State revolving fund program for water pollution control facilities in the State of Kansas.
2. The Johnson County Unified Wastewater Districts concurs wholeheartedly in the amendments to Senate Bill 472 suggested by the Kansas League of Municipalities.
3. It is our belief that the proposed loan program will be of significant benefit to both large and small communities. I worked for the Kansas Department of Health and Environment for eight years prior to taking the Chief Engineer's position with Johnson County. During those eight years, I was involved in many sewerage facility projects across the State, including small communities such as Goddard, WaKeeney, Centralia, Perry, and Cherryvale. During my tenure with the State I developed a considerable familiarity with the problems small communities face in financing of sewerage facilities, and I can assure this committee that the benefits of a loan program to small communities with the phasing out of grant funding will be crucial to the economic development and maintenance of infrastructure in these small communities. If Johnson County, with its tax base and favorable bonded indebtedness position, can benefit from this program, small communities, with limited tax bases and perhaps with bonded indebtedness limitation problems, conceivably could have this loan program as the sole available means of financing needed improvements.

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4. Even in instances where financing through general obligation bonds is available, a State revolving fund program with low interest rates could dramatically reduce the sewer use charges or taxes paid by taxpayers benefited by this program. As an example, 20-year general obligation bonds are currently being sold at about an 8% rate. If the loan rate established for the program was set at 4%, a 30% reduction in costs paid by the taxpayers can be achieved.

I trust this committee will give serious consideration to approving this bill for consideration by the full Senate. Thank you again for this opportunity. If you have any questions, I will be happy to answer them.

JAM/jes
99-3360