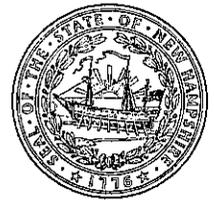




The State of New Hampshire  
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

April 1, 2010

The Honorable Martha Fuller Clark, Chairman  
Energy, Environment and Economic Development Committee  
Legislative Office Building, Room 102  
Concord, NH 03301

**Re: HB 1399 relative to state water pollution control and drinking water revolving loan funds, and state contributions to sewage disposal facilities**

Dear Chairman Fuller Clark:

Thank you for the opportunity to comment on HB 1399 relative to state water pollution control and drinking water revolving loan funds, and state contributions to sewage disposal facilities. The Department of Environmental Services (DES) supports this bill, which proposes to amend RSA 486 as described further below.

In Paragraph 1, HB 1399 proposes to amend RSA 486:1 by adding a new section 1(b) which would make projects that have received Clean Water State Revolving Fund (CWSRF) loans with principal forgiveness (essentially grants) under the American Recovery and Reinvestment Act of 2009 (ARRA) ineligible for future state aid grant (SAG) funds. As discussed in detail below, the purpose of this amendment is to ensure that any SAG funds included in future state budgets for wastewater projects would be used to support projects that have not received substantial principal forgiveness under ARRA.

In Paragraph 2, the bill proposes to amend RSA 486:14. I (a) by adding the phrase "or grants" to clarify that, in the event that either the CWSRF or drinking water revolving loan fund programs were to be expanded by Congress in the future to include grants to communities, DES would have clear authority to implement a grant program as well as the existing loan programs.

During a 12 month period that ended in February 2010, DES distributed about \$37.6 million in CWSRF ARRA funds to municipalities, and these communities have 43 projects that are either under construction or under contract for construction this year. All of the CWSRF ARRA funds distributed to communities have been provided as principal forgiveness and are being used to leverage "conventional" CWSRF low interest loans provided to the same communities to more than double the facility improvements that will occur. The result will be about \$77.9 million in wastewater system improvements across New Hampshire by the end of 2010, most of which would not otherwise have moved forward in the 2009 recession environment. Uniquely, ARRA provided, for the first time in the CWSRF program, for "principal forgiveness" of loans, which is the ability for the state to discount the required loan principal amount that must

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The Honorable Martha Fuller Clark

HB 1399 – relative to state water pollution control and drinking water revolving loan funds, and state contributions to sewage disposal facilities

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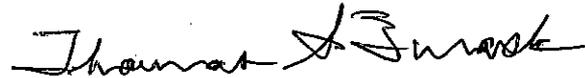
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be repaid, thus essentially providing a grant to the communities. For most of the 43 projects, this resulted in a 50% discount on the required future annual loan repayments spread out over the loan repayment periods, which vary from 5 to 20 years. In comparison, the state aid grant program has historically provided subsidies of either 20% or 30% on annual loan repayments, depending on the financial status of the community. Therefore, communities with projects funded by the CWSRF ARRA will, over the course of the repayment period, have received a substantially greater discount on the required loan repayments than if the projects had been supported by the SAG program.

The ARRA CWSRF funds came at a fortuitous time for New Hampshire since, to reduce costs to address revenue shortfalls caused by the recession, no funds were included in the state budget for new wastewater state aid grants for the FY 2010-2011 biennium and, in FY 2009, SAG funding for new projects was eliminated beginning in November 2008. As a result, there is a growing backlog of projects that have been constructed, are eligible for SAG grants and did not receive ARRA CWSRF funds. DES currently has a list of 58 new projects with total grant requests of \$22,245,762 that have been, or will be, delayed due to these budget shortfalls, and that did not receive ARRA funding. With loan periods that range from 5 to 20 years, the average annual future SAG cost would be in the order of \$2 to \$3 million per year to support these projects, should funding become available in future biennia. DES believes that these backlogged projects, and similar future projects, should be given priority for future SAG grants over those projects that have already received substantial principal forgiveness through ARRA CWSRF. To this end, HB 1399 would make clear that projects that have received ARRA CWSRF funding would not be eligible for future SAG funding, thus ensuring that any support from future SAG funds would be provided to projects that do not benefit from ARRA principal forgiveness.

Thank you for this opportunity to comment on this bill. Please feel free to call Harry Stewart at 271-3308 or me at 271-2958, if you have any questions or need additional information.

Very truly yours,



Thomas S. Burack  
Commissioner

cc: Representative Patten