



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

March 13, 2019

The Honorable Patricia Lovejoy
Chair, House Finance Committee/Division 1
Legislative Office Building, Room 210-211
Concord, NH 03301

RE: HB 352-FN-A – AN ACT appropriating funds to the department of environmental services for the purpose of funding eligible wastewater projects under the state aid grant program.

Dear Chair Lovejoy and Members of the Committee:

As requested, NHDES is providing additional comment on HB 352-FN-A; specifically, with regard to funding. This bill would appropriate funds for eligible and completed wastewater projects under the state aid grant program as authorized per RSA 486.

The question of how to consistently fund this program continues to be a topic of discussion. In 2009, a commission created by SB 60 performed an in-depth study on funding the state's water infrastructure. The Commission recommended that additional funding be provided by assessing a water-use fee on beverages at the wholesale level. No legislation has been introduced to date in support of this plan. In 2012, HB 1501 was filed to create a fund to upgrade wastewater treatment plants that relied upon property taxpayers donating \$25 per toilet on the premises. The Legislature did not adopt it. In 2015, HB 511 created a commission to study the funding of State Aid Grants under RSA 486, RSA 486-A, and RSA 149-M. The Commission submitted its report dated November 1, 2015 (attached for reference).

The 2015 State Aid Grant Study Commission noted that state aid grants play an important role in funding wastewater infrastructure projects, and that state aid grants should continue. It noted that new taxes and fees were currently not feasible and that funding should come from the General Fund. The Commission recommended that "we continue under the current form of funding, that is, through an appropriation from the general fund/operating budget. This has been our historic source of revenue for state aid grants."

Since the HB 511 Commission submitted its report, HB 1428 (2016 Session) approved funding for eight projects from the General Fund; HB 119 (2017 Session) approved funding for twelve projects from the General Fund; and, more recently, HB 352/SB 254 appropriates \$3,652,347 for fiscal year ending June 30, 2020 and \$3,781,024 for fiscal year ending June 30, 2021 for eligible and completed wastewater projects from the General Fund. These funds will provide aid to about 70 projects in 35 NH communities.

Per the request of House Finance/Division 1, NHDES researched possible funding of state aid grants similar to School Building Aid. NHDES contacted the Department of Education School Building Aid Coordinator about their process. NHDES was informed that no new grants have been awarded since 2008, and that a

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moratorium has been in effect since 2011. The statute was re-written in 2013 to go from an "after the fact" grant to an "up front" grant program. School districts can receive grants ranging from 30 to 60% of costs. Schools can apply once a biennium, and are ranked by criteria set in statute. Grants are awarded and schools receive 80% of their award up front and the remaining 20% at project completion. By statute, the maximum funding for school building aid is set at \$50 million per year. It is our understanding that this has not been funded for quite some time. Attached is the section of state statute regarding School Building Aid for reference.

NHDES explored what an "up front" grant program would look like based on the seven-year history provided in the NHDES spreadsheet entitled "NH DES Current Estimate of Need for Wastewater State Aid Grant Projects as of 8/15/18". Although the total number of projects did not vary much from year to year (8 to 12), the total value of the estimated grants did vary considerably from year to year (\$3.9M to \$26.7M), with no correlation between the number of projects and the total estimated grants in any given year. Refer to attached chart. Due to the erratic nature of overall project costs/estimated grant payments in any given year level funding for up front grants does not appear to be viable.

Currently state aid grants are paid to communities based on a percentage of the yearly amortization charges on the eligible costs over a period of time commensurate with the loan repayment schedule, most loans being of the 20-year term. Payments over a longer period of time allow for attenuation of varying project costs/grant payments. Level funding established from an "after the fact" grant program may also be an option. NHDES estimates level funding for new grants at \$500,000 per year or \$1M per biennium. It should be noted that Section 128 in HB 2 continues the moratorium on awarding new state aid grants under RSA 486-A and 149-M.

In addition, please find attached the NHDES 20 Year Estimate of Need for Wastewater State Aid Grant Projects (FY20-40) as of August 15, 2018, revised March 11, 2019.

NHDES is available to provide background and technical information to assist the committee as needed. Please feel free to contact Tracy Wood, Wastewater Engineering Bureau Administrator, at tracy.wood@des.nh.gov or 271-2001, or Beth Malcolm at beth.malcolm@des.nh.gov or 271- 2978, if you have any questions or need additional information.

Sincerely,



Robert R. Scott
Commissioner

cc: Sponsors of HB 352-FN-A: Rep. Bucu, Rep. M. Smith, Rep. Abel, Rep. Conley, Rep. Bixby, Rep. Loughman, Rep. P. Schmidt, Rep. Herbert, Rep. Long, Rep. Cushing, Sen. Bradley, Sen. Fuller Clark, Sen. Watters, Sen. Morgan, Sen. Chandley