The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner

January 20, 2010

The Honorable Marjorie Smith, Chairman
House Finance Committee
Legislative Office Building, Room 210-211
Concord, New Hampshire 03301

Re: HB 1606 relative to the transfer of funds within the department of environmental services

Dear Chairman Smith:

Thank you for the opportunity to comment on HB 1606 relative to appropriation reductions in the operating budget for fiscal year 2011. The Department of Environmental Services (DES) does not support this bill because it will have very substantial detrimental impacts on our ability to staff general fund programs. Specifically, DES estimates that should this bill pass it would cause 100 layoffs at DES in order to comply with the required fund transfers.

HB 1606 requires that the DES Commissioner transfer funds (a total of $2,593,763 in FY 2010 and $1,489,704 in FY 2011 or a total of $4,083,467 for the biennium) already appropriated from agency accounts to two state aid grant general fund accounts for water and wastewater projects. Federal grants and other funds, such as program fees, have restrictions that make them unavailable for this purpose to the DES Commissioner. Therefore, while the bill does not specify general fund accounts as the sole funding source for the transfers, general funds are the only legitimate sources of funding for this purpose.

The required cost transfer would have extremely detrimental long term effects on DES general fund programs. Key programs that would be adversely impacted include: the solid waste program, RCRA hazardous and solid waste programs, lakes and rivers management programs, dam program, wetlands program, Geological Survey, public water systems, and a number of agency administrative functions. DES currently has a total of 160 general fund positions. Of these, 24 are vacant with the savings from these vacancies already being used to meet other required reductions in DES costs for the biennium. This leaves 136 filled general fund positions (160 total less 24 vacancies = 136 filled) available for reduction. Since the net savings to the general fund is $41,000/year during the first year of a layoff and we would have at most 12 months to make the reductions, a reduction of at least 100 of these 136 positions (or 74% of all filled general fund positions) would be required to make the required transfers during the FY 2010-2011 biennium.

While we do not support the proposed reductions because of the very severe programmatic impacts that these would cause, DES understands and supports the need to address the underlying concern of the sponsors, which is the need to provide state aid grant payments to those eligible communities that have not received grants because no funds for new grants were included in the FY 2010-2011 budgets due to the state revenue shortfalls caused by the economic

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downturn. At this time, DES has a backlog of 57 wastewater projects and 9 water supply projects waiting for state aid grants (see Tables 1 and 2). Our hope is to provide state aid grant funding to support these projects on a first in – first out basis as funding becomes available in future state budgets.

In the long term, New Hampshire needs a sustainable funding source to support New Hampshire's environmental infrastructure needs, especially when project costs become unaffordable to the local rate payers. Based on a recent EPA Needs Survey performed by our staff, DES estimates that wastewater facility upgrades will cost about $1.2 billion over the next 10 years ($120 million/year). This investment will be necessary to address aging infrastructure, capacity attainment, and more stringent federal water pollution discharge permits. We also estimate that there are about $700 million in drinking water supply infrastructure needs that will need to be addressed. Additionally, state and municipal dams and stormwater systems require investment.

In 2009, in consideration of this issue and the lack of funding for state aid grants this biennium, the Legislature, by enactment of Senate Bill 60, formed the Commission to Study Water Infrastructure Sustainability Funding. This commission is in the early stages of evaluating in an integrated fashion the needs and possible methods to support the sustainability of New Hampshire's environmental infrastructure. When the Commission's report and recommendations are presented in November 2010, we hope that this will serve as a framework for New Hampshire to develop a long term funding strategy that will ensure the availability of state aid grants or equivalent funding mechanisms in the future to ensure that needed infrastructure can be constructed for New Hampshire's communities and be affordable for New Hampshire's citizens.

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

Very truly yours,

Michael Walls, Asst. Comm.

for Thomas S. Burack
Commissioner

cc: Representative Buco
Representative Baroody
Representative Katsiantonis
Representative Keans
Senator Gallus

TABLE 1

WASTEWATER PROJECTS WITH DELAYED STATE AID GRANTS (INCLUDING PAYMENTS IF PROJECTS WERE FUNDED)

FISCAL YEARS 2010 THROUGH 2013

Grant Request		Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2013	
Project	Total Request	FY 10 Payment	Payment Term (years)	FY 11 Payment	Payment Term (years)	FY 12 Payment	Payment Term (years)	FY 13 Payment	Payment Term (years)
Town of Allenstown									
WWTF Capacity Analysis	$428	$428	1	-	-	-	-	-	-
Intermunicipal Agreement (Allenstown/Pembroke)	$5,367	$5,367	1	-	-	-	-	-	-
Canal Street Sewer	$45,436	$45,436	1	-	-	-	-	-	-
WWTF Evaluation	$3,995	$3,995	1	-	-	-	-	-	-
Town of Amherst									
Baboosic Lake Ph II: Community Water System *	$127,215	$25,443	5	$25,443	5	$25,443	5	$25,443	5
Town of Bristol									
WWTP Improvements, Contract 2	$32,469	$32,469	1	-	-	-	-	-	-
City of Claremont									
Water Street Reconstruction; Main Street Sewer Improvement	$126,269	$12,357	20	$6,131	20	$6,122	20	$6,113	20
City of Concord									
Penacook WWTP Modifications [1]	$868,808	$238,673	15	$57,321	15	$57,177	15	$57,029	15
Headworks Improvements, Screening Facility Upgr. *	$256,394	$51,279	5	$51,279	5	$51,279	5	$51,279	5
Town of Derry									
Wastewater Effluent Force Main Upgrade, Contract 1 *	$913,204	$182,641	5	$182,641	5	$182,641	5	$182,641	5
Wastewater Effluent Force Main Upgrade, Contract 2 *	$271,584	$54,317	5	$54,317	5	$54,317	5	$54,317	5
Town of Epping									
WWTF Upgrade	$41,295	$41,295	1	-	-	-	-	-	-
Town of Exeter									
Meadowood Gravity Sewers *	$62,914	$12,583	5	$12,583	5	$12,583	5	$12,583	5
Town of Hanover									
Industrial Pretreatment Program	$15,100	$15,100	1	-	-	-	-	-	-
Pump Station #3 Upgrade Project*	$174,611	$34,922	5	$34,922	5	$34,922	5	$34,922	5
New Secondary Clarifier Project *	$382,235	$76,477	5	$76,477	5	$76,477	5	$76,477	5
Town of Hillsborough									
Contoocook R. Anti-degradation Study	$7,901	$7,901	1	-	-	-	-	-	-
I/I Investigation / Sewer Collection System Repairs	$8,238	$8,238	1	-	-	-	-	-	-
Town of Hinsdale									
Canal Street Sewerage Improvements *	$137,956	$27,592	5	$27,591	5	$27,591	5	$27,591	5
Town of Hudson									
Ottamac Pond Sewer Installation *	$117,892	$23,578	5	$23,578	5	$23,578	5	$23,579	5
Town of Jaffrey									
WWTF Upgrade	$6,592,045	-	30	$215,985	30	$216,086	30	$216,282	30
City of Lebanon									
CSO, Contract 1 *	$147,620	$29,524	5	$29,524	5	$29,524	5	$29,524	5
CSO, Contract 2 *	$298,365	$59,673	5	$59,673	5	$59,673	5	$59,673	5
CSO, Contract 3 and Design for Contract 4 *	$250,417	$50,084	5	$50,084	5	$50,083	5	$50,083	5
Town of Littleton									
Badger Street and Kelly Lane Sanitary Sewer Replacement *	$90,278	$18,056	5	$18,056	5	$18,056	5	$18,055	5
City of Manchester									
Cohas Brook Interceptor Ph 2, Contract 1 (Debt Service Portion)	$1,191,858	$145,863	20	$71,052	20	$69,529	20	$68,007	20
Sludge Dewatering System Project	$927,737	$169,118	20	$54,102	20	$52,917	20	$51,732	20
Valley St. Pipe Replacement Preliminary Design *	$59,418	$11,884	5	$11,884	5	$11,884	5	$11,883	5
CSO South Main St. North	$498,138	$301,708	5	$98,742	5	$97,688	5	-	-
Cemetery Bk / Penacook St. / Stark Bk CSO Basin Study *	$230,405	$46,081	5	$46,081	5	$46,081	5	$46,081	5
South Mammoth Rd. Sewer Extension *	$352,273	$70,455	5	$70,455	5	$70,455	5	$70,454	5
West Bridge / Lorraine / Bremer (Debt Service Portion)	$1,313,912	$150,249	20	$79,044	20	$77,351	20	$75,657	20
Crescent Rd. CSO Project, Design *	$269,278	$53,856	5	$53,856	5	$53,856	5	$53,855	5
Cohas Brook Interceptor Ph 2, Contract 1 & 2, Design *	$97,548	$19,510	5	$19,510	5	$19,510	5	$19,509	5
Clarifier 1 & 2 Mechanism Replacement	$29,193	$29,193	1	-	-	-	-	-	-
Beech, Revere & Jewett CSO Study	$33,798	$33,798	1	-	-	-	-	-	-

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FISCAL YEARS 2010 THROUGH 2013

Grant Request		Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2013	
Project	Total Request	FY 10 Payment	Payment Term (years)	FY 11 Payment	Payment Term (years)	FY 12 Payment	Payment Term (years)	FY 13 Payment	Payment Term (years)
Beech, Cheney & Dover Sewer Projects *	$66,204	$13,241	5	$13,241	5	$13,241	5	$13,241	5
Sludge Dewatering System *	$106,048	$21,210	5	$21,210	5	$21,210	5	$21,209	5
Poor & Schiller St CSO	$1,178,600	$136,345	20	$72,700	20	$70,959	20	$69,218	20
West Bridge / Lorraine / Bremer (Lump Sum Portion)	$4,285	$4,285	1	-	-	-	-	-	-
Cohas Brook Interceptor Ph 2, Contract 3 Design	$27,064	$27,064	1	-	-	-	-	-	-
Cohas Brook Interceptor Ph 2, Contract 1 (Lump Sum Portion)	$455	$455	1	-	-	-	-	-	-
Town of Merrimack									
Reed's Ferry Sewers *	$136,073	$27,215	5	$27,215	5	$27,215	5	$27,215	5
City of Nashua									
Infiltration/Inflow Study *	$56,071	$11,215	5	$11,214	5	$11,214	5	$11,214	5
CSO II - East Dunstable Road *	$144,070	$28,814	5	$28,814	5	$28,814	5	$28,814	5
CSO VII - Ledge Street *	$137,428	$27,486	5	$27,486	5	$27,486	5	$27,485	5
CSO V - Sargents Ave Area*	$62,314	$12,463	5	$12,463	5	$12,463	5	$12,463	5
CSO IV - South Main Street Area*	$423,061	$84,613	5	$84,612	5	$84,612	5	$84,612	5
CSO III - Temple Street Area*	$326,328	$65,266	5	$65,266	5	$65,266	5	$65,265	5
NHDES, Winnipesaukee River Basin Program									
Dewatering Improvements Project	$2,778,857	$172,642	20	$169,095	20	$165,548	20	$162,000	20
Town of Newmarket									
Cedar St. Pump Station Backup Pump	$4,628	$4,628	1	-	-	-	-	-	-
Sewer System Evaluation, I/I Analysis	$14,180	$14,180	1	-	-	-	-	-	-
Town of Newport									
Guild Pump Station Project	$132,981	$15,613	10	$16,036	10	$15,743	10	$15,451	10
Town of Piermont									
WWTF Upgrade [1]	$192,487	$28,697	30	$24,293	30	$24,293	30	$24,292	30
City of Portsmouth									
Pleasant Point Sewer *	$100,988	$20,198	5	$20,198	5	$20,198	5	$20,197	5
Town of Salem									
Elmwood & Marsh Area Sewer Extension *	$184,573	$36,915	5	$36,915	5	$36,915	5	$36,914	5
Town of Swanzey									
North Swanzey Wastewater Improvements Amendment	$121,071	$6,515	28	$6,376	28	$6,236	28	$6,097	28
Total Value of Delayed and Deferred Grant Requests:	$22,179,360								
Total Number of Delayed and Deferred Projects:	57								
Projected Required State Aid Grant Cash Outlays, FY 10-13**		FY 10: $2,848,203		FY 11: $2,067,465		FY 12: $2,056,236		FY 13: $1,948,456	
House Bill 1606 Request:		$2,422,542		$1,351,919					
(January 2010 HB 1606 Request)		$425,661		$715,546					

NOTES:
* Lump Sum Request > $50,000
**Excludes Existing Obligations
1 Grant request includes debt service grant contribution as well as a lump sum reimbursement >$50,000

Table 2
NEw SYSTEM INTERCONNECTION GRANTS FOR PUBLIC WATER SYSTEMS WITH DELAYED STATE AID GRANTS (INCLUDING PAYMENTS IF PROJECTS WERE FUNDED) FISCAL YEARS 2010 THROUGH 2013

Applicant	Total Eligible Project Cost	Grant Principal (25%) (see Note 3)	Duration of debt (years)	Projected Annual State Aid Grant Payments			
				2010	2011	2012	2013
Birch Hill Community (Conway)	$1,079,230	$269,808	20	24,303	24,303	24,303	24,303
Lower Bartlett Precinct (Bartlett)	$4,107,750	$1,026,938	28	66,806	66,806	66,806	66,806
Ashley Commons (Milford)	$225,000	$56,250	20		10,933	10,933	10,933
White Rock Cooperative (Bow)	$300,000	$75,000	20		5,277	5,277	5,277
Central Hooksett WP	$1,384,154	$346,038	20		27,766	27,766	27,766
Manchester Water Works	$375,000	$93,750	20			12,537	12,537
Marlborough Water Works	$904,320	$226,080	20			18,141	18,141
Brake Hill / LRW (Gilford)	$135,000	$33,750	20	2,700	2,700	2,700	2,700
Old Stagecoach Condos (Epping)	$309,650	$77,412	Lump sum	77,412			
Total Value of Delayed and Deferred Grant Requests:	*$8,820,104*	*$2,205,026*					
Total Number of Delayed and Deferred Projects:		*9*					
Projected Required State Aid Grant Cash Outlays: FY 10-13:				*$171,221*	*$137,785*	*$168,463*	*$168,463*

Notes:

1. Payments after 2014 are not shown. The projects with durations of debt of 20 years would carry forward into future years. A lump sum payment for Old Stagecoach Condos is assumed since this was not to be tied directly to a state revolving loan fund loan as of October 2009.

2. The actual dollar amount of deferred payments changes with time. Some projects could have delayed construction completion dates and, therefore the year when the initial grant payment is "due" will be delayed. Also, over time, additional projects may be proposed and become eligible for state aid grant payments.

3. The "Grant Principal" is 25% of the eligible project cost. "Grant Principal" is amortized over the life of the loan (typically a state revolving fund loan) at the loan interest rate to determine the actual annual state aid grant payment. The eligible project costs and grant principal are both based on estimates provided by communities.

4. For consistency with HB 1660, the figures shown for FY 2010 and 2011 are from October 2009 when the bill was drafted. It is likely that, due to some project delays, the final demand for state aid grants from the projects that are delayed and deferred may be delayed due to later construction dates.