

**Commission to Study Water Infrastructure Sustainability Funding
SB 60, chapter 245:1, laws of 2009
2010 Interim Report**

To: Governor Lynch, House Speaker Norelli, and Senate President Larson

From: Senator Martha Fuller Clark, Chair

In 2009, the General Court enacted legislation (SB 60, chapter 245:1, laws of 2009) to create a Commission to Study Water Infrastructure Sustainability Funding (the Commission). In the performance of this study, the Commission's review was specifically required to include "*an assessment of the state's need to construct and maintain infrastructure to protect its water resources, taking into consideration public health issues, ecosystem and habitat protection, and economic factors including tourism.*" The Commission was also required to "*consider the information, conclusions, and recommendations presented in the New Hampshire water resources primer published in December 2008, which evaluates how to improve the long-term sustainability of New Hampshire's water infrastructure and its funding*".

This report describes the Commission's work to date toward fulfillment of these duties. The primary recommendation in the report is to extend the Commission for an additional year so that critical research and analysis, now underway, can be completed. This information is necessary to finalize and prioritize recommendations on how New Hampshire can ensure adequate funding to sustain critical water infrastructure including public drinking water systems, public wastewater and stormwater systems, and publicly owned dams. Other recommendations include:

- The immediate need for 2011 state match dollars to secure federal state revolving loan funds for wastewater and drinking water improvement projects;
- An interim need, until a long-term revenue source can be identified, for dam repair funding to ensure state owned dams are safe; and
- The reinstatement of state aid grants in the state 2012/2013 budget for projects that were initiated prior to these grants being deferred and would justifiably have anticipated the availability of these grants.

Members of the commission include:

Senator Martha Fuller Clark
Representative Pamela Hubbard
Representative Thomas Buco
Representative Jeffrey St. Cyr
Harry Stewart, Department of Environmental Services
Rachel Roulliard, Piscataqua Region Estuaries Partnership

Keith Robinson, United States Geological Survey
John Boisvert, New Hampshire Water Works Association
Peter Rice, New Hampshire Water Pollution Control Association
Kurt Blomquist, New Hampshire Public Works Association
John Webster, Granite State Hydro power Association, Inc
David Bernier, Granite State Rural Water Association
David Danielson, New Hampshire Association of Regional Planning Commissions
William Brown, American Council of Engineering Companies
Peter Kulbaki, NH Rivers Association
Kenneth Warren, NH Lakes Association
Stephen Hickey, New Hampshire Business and Industry Association

The Commission met 16 times (see attached summary of meetings). The value of water infrastructure to the state's economy and quality of life was examined with particular emphasis on the role of water infrastructure as a key municipal service, akin to schools, police and fire fighting. The lack of understanding of the value of infrastructure by the ordinary citizen was quickly identified as a key issue that will take significant outreach and education. The Commission systematically discussed the current state of New Hampshire's water infrastructure including the historical and current "drivers" and obstacles that have led to significant need for infrastructure investment, which is currently estimated at **\$2.3 billion** over the next decade.

Drivers identified include:

- current age and deterioration,
- changing regulatory requirements,
- growth, and
- climate change

Other important obstacles include:

- competing public service needs,
- user rates not reflecting true cost of services, and
- lack of planning, asset management and other demand reduction efforts

Experts were brought in to discuss each of these components and other, relevant, Federal and State reports as well as the NH Water Resources Primer were reviewed. The UNH Department of Resource Economics was engaged in the Commission's work and will be conducting a survey of stakeholders on potential funding sources and mechanisms that could be utilized to fund the gap between needs for critical water infrastructure replacement and repair and what would be available from 1) existing state and federal loan and grant programs and 2) increased, yet affordable user rates. Based on the survey findings, additional research on specific funding scenarios may be conducted.

Given the importance of safe drinking water provision, wastewater collection and treatment, stormwater management, and water impoundment for a variety of uses, coupled with the need for significant investment to ensure that this critical infrastructure continues to function to provide these services, the Commission recommends an extension of a year to complete research and identify and prioritize specific actions that should be taken. In addition to this extension, the Commission recommends the following specific interim actions:

- State match for the currently available federal grants for New Hampshire's drinking water and wastewater state revolving loan fund (SRF) and for similar grants available in state fiscal years 2012, should be included in the 2012/2013 state capital budget or an alternative funding source created to ensure that these funds are available. The SRF provides the state with \$100.00 in federal funds for every \$20.00 in state match. For wastewater infrastructure projects, the state stands to lose 60 million dollars (20 million is available in 2011, 2012 and, likely again, in 2013) in federal loan funds available to municipalities. The state match needed is 4 million dollars for each of those years. For drinking water infrastructure projects, 6.2 million is needed to obtain 31 million in loan and grant funds over the same period. An additional concern is that set-asides from the federal drinking water SRF grants, fund the majority of New Hampshire's Safe Drinking Water and Groundwater Permitting Programs.

- The state aid grant program (RSA 486 and 486-A) should be reinstated for drinking water and wastewater upgrades that were initiated by communities before the deferment of these grants in 2009. These programs were established by the legislature to pay the annual debt service upon project completion for eligible drinking water and wastewater projects. While existing state aid grant obligations have been met, the funding for a number of projects that were not completed or which did not apply prior to 2009, has been deferred until future years due to state budget shortfalls. These communities undertook projects with every expectation that these grants funds would continue to be available as they had been historically. These funds provide critical assistance to New Hampshire communities to make water infrastructure investment more affordable.

- Funding for critical repairs at state owned dams (\$2.5 million annually) should be included in the 2012/2013 budget. The historical funding mechanism for this important work has significantly diminished due to reductions in state hydropower lease revenues attributable to deregulation in the electric industry. As a result, there will be no funding available for this work by spring 2011. In 2010, the legislature considered a dedicated fee based funding source but deferred passage awaiting the Commission's findings. Because the Commission needs to further study and evaluate options and considering that any recommendation from the Commission will take time to implement, an interim source of funds is necessary to address this immediate public safety need.

Respectfully submitted December 20, 2010

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Attachment 1

SB60 Commission to Study Water Infrastructure Sustainability Funding

Summary of SB60 Meetings – December 2010

Date	Agenda Items	Guest Speakers	Handouts	Purpose Served
9/17/2009	Organizational meeting			Senator Fuller Clark was elected Chair The purpose of the Commission was reviewed.
10/1/2009	Overview of Water Infrastructure Needs and Clean Water and Drinking Water State Revolving Funds.	-Harry Stewart (NHDES member and Water Division Director) -Sharon Nall -Paul Heirtzler (Both from Wastewater Engineering Bureau at NHDES) - Sarah Pillsbury -Rick Skarinka (Drinking Water Program, NHDES) -Steve Doyon (Dam Bureau, NHDES)	-New Hampshire Resources Primer -Water Infrastructure Needs in NH -Final Report of the Commission to Study the Effects of Electric Utility Restructuring -State Owned Dams in Need of Repair List	An overall review of state infrastructure needs for wastewater, stormwater, water supply, and dam improvements and an explanation of funding available through the NH's federally funded water related state revolving funds.
10/22/2009	- Rural Development Agency (RDA) - Housing and Urban Development – Community Development Block Grants (CDBG) - New England Interstate Water Pollution Control Commission (NEIWPC) -District Army Corp of Engineers (ACE)	-Gregg MacPherson (RDA), -Katharine Bogle- Shields (CDBG) -Ron Poltak (NEIWPC) - Chris Hatfield (ACE)	-Minnesota Clean Water Fund Activities -Creating a Sustainable Solution for Pennsylvania	Identified other Federal funding sources that are available
11/5/2009	- Public Water Supply Capacity Assurance- - Pennichuck	Sarah Pillsbury, NHDES Drinking Water John Boisvert,	-Case Sample Presentations -GAO Report – Clean Water	Unique issues related to small public water systems identified.

Date	Agenda Items	Guest Speakers	Handouts	Purpose Served
	Waterworks /Small Systems -Portsmouth Case Study	Member Peter Rice, Member	Infrastructure -NARC/ARRA -Outline for a Water Trust Fund -Financing Water Infrastructure	Regulatory uncertainty/change as a driver of costs considered.
11/19/2009	-NH Coastal Program -National Oceanic and Atmospheric Agency	-Ted Diers, NHDES Coastal Program -Betsy Nicholson, NOAA		Identified federal funding available in the seacoast
12/3/2009	-Environmental & Resource Economics, UNH -Draft SB60 report outline	-Dr. John Halstead, UNH	Draft report outline	Identified connections between infrastructure and economic development Began discussion of a UNH survey related to funding infrastructure Began discussion of final report.
12/17/2009	-State Owned Dams -Full Cost Pricing -Questions for UNH Grad Students	-Jim Gallagher, NHDES Dam Bureau - William Brown, Member	State owned dam power point presentation. Full cost pricing power point presentation.	An explanation was provided concerning funding for Dam maintenance and repair (i.e. the historical revenue connected to hydro-electric power generation has significantly diminished and there will be no funding for state-owned dams by Spring 2011). A gap analysis for drinking water and wastewater infrastructure was discussed. The gap between need and revenues available with affordable, full cost pricing and existing funding sources was considered.
1/21/2010	Private and Municipal Dams	-Jim Gallagher, NHDES -Richard Norman, Granite State Hydropower Association (GSHPA)	GSHPA handout	The status of municipal and privately owned dams was provided. An explanation by GSHPA was provided which explained it is unlikely that significantly more hydropower dams would be

Date	Agenda Items	Guest Speakers	Handouts	Purpose Served
				located in NH.
3/3/2010	<ul style="list-style-type: none"> - Water and sewer gap analysis approach. - Funding needs for SRF match and deferred grants - UNH research update - Report outline - John Boisvert's list of questions for consideration 	None	<ul style="list-style-type: none"> - Comparison chart on municipal water and sewer rates, median household income and tax rates (draft). -Information on Funding needs for SRF match - John Boisvert's list of questions e-mailed prior to the meeting. 	<p>Agreed on report outline/structure.</p> <p>Reported outcomes from meeting with UNH researchers.</p>
4/15/2010	<ul style="list-style-type: none"> -Funding Gap Analysis -Funding Alternatives -UNH Research 	None	<ul style="list-style-type: none"> -Draft approach for estimating funding gap <p>Draft UNH survey</p>	<p>Consensus on how to use a gap analysis to estimate funding needs for drinking water and wastewater.</p> <p>Discussion of UNH survey.</p>
5/21/2010	<ul style="list-style-type: none"> - Preparation for Joint Commission Meeting - Gap Analysis Update 	None		Review of work and findings to date.
6/8/2010	<ul style="list-style-type: none"> -Discussion of Joint Commission Meeting -Identification of demand reduction recommendation for final report 	None	<ul style="list-style-type: none"> -Handout from Joint Commissions meeting and draft minutes. -UNH Presentation 	<p>Identification of financial demand reduction recommendations for report.</p> <p>Draft schedule for report production.</p>
6/22/2010	<ul style="list-style-type: none"> - Small drinking water system recommendations report. - Discussions of needs to include in final report -Draft funding entity concept 	None	<ul style="list-style-type: none"> -Summary of research completed by Groundwater Commission on user fees - John Boisvert's funding entity concept diagram 	<p>Identification of small drinking water system recommendations for report.</p> <p>Decision to limit report to critical drinking water, wastewater, stormwater and dam infrastructure needs.</p>
8/12/2010	<ul style="list-style-type: none"> -Funding Issues for State Owned Dams -Report Status -Case Studies 	-Jim Gallagher, NHDES Dam Bureau	<ul style="list-style-type: none"> - Funding Alternatives for the Maintenance & Repairs of State-Owned Dams 	<p>Reiterated need for funds to keep state owned dams safe as of Spring 2011.</p> <p>Reviewed unsuccessful 2010 legislation that had proposed a fee on impoundment shoreline property owners.</p>

Date	Agenda Items	Guest Speakers	Handouts	Purpose Served
				Identification of case studies for final report: Portsmouth, Jaffrey, Birch Hill and Keene
9/23/2010	<ul style="list-style-type: none"> - Final report/ draft chapters - Need for extension and/or interim report. - Upcoming joint meeting of all the water/development related commissions 		Draft Report Chapters	Consensus on extending the Commission and determined the need for and the content of an interim report.
10/27/2010	<ul style="list-style-type: none"> - Reviewed interim report. - Reviewed/edited UNH Survey - Reviewed more complete gap analysis. 		Draft interim report Gap Analysis for Wastewater Joint meeting of commissions handout.	Consensus on gap analysis approach and assumptions. Recommendations for finalizing interim report and UNH survey.
12/9/2010	Reviewed final draft of report and discussed the future in light of 3 of 4 elected members not being re-elected and the number of new legislators.		Draft final report.	<p>Determined recommendation to extend the commission should be in the final report.</p> <p>Discussed how a sponsor might be found to file a bill to extend the Commission.</p> <p>Agreed UNH research should be focused on potential revenue sources and that the launch of a SB60 endorsed survey should be delayed.</p> <p>Agreed work to date should be thoroughly documented regardless of the outcome of the legislation to extend the commission.</p>