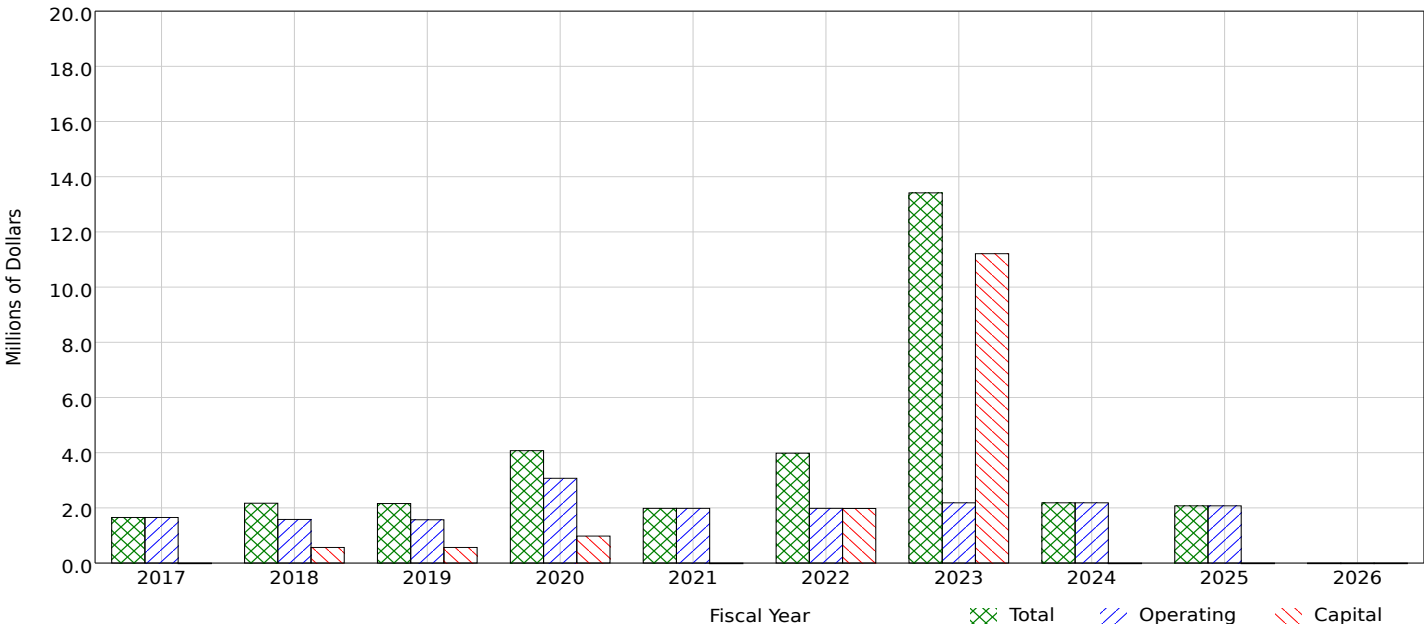


Fund Source Report

1075 CIn Wtr Fd Alaska Clean Water Fund

Year Authorized 1987 Year Repealed Active? Yes Mental Health? No Duplicated? Yes Fund Group Other Designated

Operating and Capital Appropriations



Legal Authority AS 46.03.032 - AS 46.03.035

Source of Revenue The Fund consists of money appropriated by the legislature to meet federal matching requirements, federal capitalization grants, loan repayments including interest, interest earned from investments and proceeds and accrued interest from the sale of Alaska Clean Water Bonds.

Restrictions on Use The fund may be used for: 1) planning, designing, building, constructing, and rehabilitating a public wastewater collection, treatment, or discharge system or solid waste management system, 2) implementing a management program for controlling water pollution from non-point sources, 3) developing and implementing an estuary conservation and management system, 4) provide financial assistance for qualified projects, 5) administer the program and 6) pay debt.

Description and History Since 1972, Alaska communities relied upon federal grants to partially fund their larger, more complex wastewater treatment and collection systems. In 1987, Congress began to phase-out the 15-year-old grant program in order to replace it with a state administered revolving loan fund.

The Alaska Clean Water Revolving Loan Fund was created by Chapter 40, SLA 1987. Congress mandated state clean water funds and appropriated federal funds to capitalize the loan program contingent on the state's 20 percent contribution/match. The first federal appropriation to the State of Alaska was \$5.8 million in FY88. This federal money was matched with nearly \$2.2 million of state general funds.

Funding from the Alaska Clean Water Loan Fund program follows a cycle which begins with the compilation of a funding priority list. From this list, the Department of Environmental Conservation (DEC) prepares a grant application to the U.S. Environmental Protection Agency (EPA). Following grant approval, DEC may respond to applications from the list. The fund may provide loans, buy or refinance debt, or provide collateral security.

Prior to FY01, the Department of Environmental Conservation met the state match requirement by capitalizing the loan fund with general fund appropriations. Chapter 61, SLA 2000 established the authority to issue and sell revenue bonds to fund the clean water and drinking water loan projects. The balance of the loan funds can be used as collateral for the bonds. In FY01, DEC began issuing bonds to take advantage of a provision allowing federal receipts to be used to pay debt service on bonds for eligible projects.

- The current funding mechanism is:
1. Alaska issues bonds and deposits the proceeds in the Clean Water Bond Receipt Fund (fund code 1144)
 2. Bond proceeds are appropriated to the Revolving Loan Fund in order to meet the state match requirement

Fund Source Report

3. Money from the RLF (1075, a duplicated fund source) is appropriated to debt service to immediately pay off the bonds.

The result is that federal funds are effectively used to meet the state match requirement. This scenario reduces total available funding by eliminating deposits of general funds to the clean water fund.

Expenditures from the fund typically go to DEC (facility construction allocation) and to pay debt service on clean water revenue bonds. As with all revolving loan funds, loans from the fund do not require appropriation.

July 2014

Appropriations from the fund to the facility construction allocation have not been made since FY08--the Clean Water Fund has been used only to pay off short-term bonds issued annually.

The clean water program functioned strictly as a loan program until FY2011, when terms of the federal Clean Water Capitalization Grant required states to issue subsidies (a loan forgiveness process). The subsidy amount required is now specified under the grant terms. In order to implement the subsidy provision, an appropriation is necessary to properly record the loan forgiveness payment as an expense in the Alaska Clean Water Fund.

A large decline in federal funding in FY15 prompted DEC to begin using the clean water administrative fund (code 1231) to maintain the FY14 funding level for the program. The Department of Environmental Conservation has been collecting a 0.5% fee on all loans made from the clean water fund since December 2000. These fees have not been appropriated to the clean water administrative fund, and arguably do not need to be appropriated to the fund. An appropriation is required only to spend the fees collected (plus interest). The June 30, 2013 balance of the income account was \$6,734,350.

See

1144 Alaska Clean Water Fund Bond Receipts

1230 Alaska Clean Water Administrative Fund