



Financing Water Pollution Control:

The State Role

DRAFT

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THE STATE ROLE

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INTRODUCTION

Federal, state, and local governments act as partners in providing a wide range of public services. The terms of the partnership vary by program and from state to state, depending on political and governmental traditions which are shaped by many factors. In financing water pollution control projects, local governments have turned first for financial assistance to the federal government primarily through the U.S. Environmental Protection Agency's Municipal Construction Grants Program, but also to the U.S. Department of Agriculture's and the U.S. Department of Housing and Urban Development's grant and loan programs. In the area with which this report is primarily concerned, municipal wastewater treatment, the federal government has financed eligible project costs for the planning, design, and construction of municipal treatment facilities under the Construction Grants Program, with the remainder paid by the grantees, local governments.

The federal government, through a series of Clean Water Acts, has directed huge sums of grant money into water pollution control projects at the state level. For the most part, the primary role played by the states has been to assume various administrative responsibilities for the federal program. Few financial strings were attached to the states' participation. The states could, if they elected, assist their communities in raising the local share of project costs or provide funding for projects not eligible for federal grants. This freedom has led to a kaleidoscopic variety of state roles under the pollution control program, with some states taking a strong, pro-

active approach, some neglecting the area and others falling somewhere in-between.

What little information is available on state roles is dated and incomplete. Data reported to the U.S. Bureau of the Census on state intergovernmental payments for sewerage indicate that state roles in financing municipal wastewater treatment have been significant, providing almost 12 percent of total capital expenditures for that purpose.^{1/} While we can determine the approximate level of grant payments to local governments for local capital expenditures in this area, the details of program structure -- such as eligibility criteria, grant formulas, and sources of funding -- have been completely lacking, and other aspects of state involvement including loan and other assistance programs are documented in lesser detail.

This report on state roles fills, in part, the gap in information on state financial assistance for water pollution control projects. It describes state grant, loan, and other assistance programs related to pollution control projects in general and provides a more in-depth analysis of municipal wastewater treatment financing. Also included are data on state water pollution control spending during the five-year period 1976 to 1980 in the two major categories of state assistance -- grants and loans.] With regard to wastewater treatment facilities, much of the information reported makes the distinction between those projects

^{1/} See John E. Petersen, "Projecting Local Government Sewerage Financing in 1990," Government Finance Research Center, Washington, D.C., 1980.

eligible for federal funding under the E.P.A. Construction Grants Program and those that are not federally funded.

The information for this report was initially collected in the summer of 1981 prior to the implementation of the first Reagan Administration budget and the passage of the most recent round of amendments to the Clean Water Act. Specific federal program changes were unknown, but it was clear that federal financial involvement in pollution control was waning. It was shortly thereafter that major funding reductions and programmatic changes were enacted in December 1981. A second survey was conducted in May 1982 to learn how states were reacting to these program changes enacted in late 1981, their own fiscal constraints and the continuing uncertainties surrounding federal funding of wastewater treatment projects.

In the following section, an overview of the federal program and state financial involvement in water pollution control financing will be presented. Following that, the types and varieties of programs that currently exist will be identified. As appropriate, specific features of individual states' programs will be highlighted to illustrate interesting or novel approaches. Finally, recent programmatic changes or proposals before the states for revising (or perhaps initiating) a wastewater treatment financing program will be reviewed.

As states begin a re-evaluation of their programs and levels of funding, this survey should prove a valuable resource. Without a comprehensive listing of assistance offered in other states, state agencies have had few standards to measure past performance and few examples to guide them in making future commitments.

OVERVIEW OF WATER POLLUTION CONTROL FINANCING

Over the past ten years, EPA has distributed more than \$30 billion to the states for municipal wastewater treatment grants. The states, in turn, were responsible for establishing

- o state water quality standards that met or exceeded minimum federal requirements,
- o a state priority list for local projects, and
- o comprehensive state and regional water quality plans.

To complement the federal program, many states adopted grant and loan programs on a voluntary basis to assist grantees in meeting the local share of project costs. In some instances, the states adopted programs targeting their financial assistance to projects not eligible for federal funding and for pollution control projects that answered specific state needs, such as agricultural pollution control.

With few exceptions, state programs were aimed at point-source pollution, i.e. pollution discharged from discernible, confined and discrete conveyances such as pipes, tunnels and ditches because federal funding was also directed to this area.^{1/} A short description of the federal program provides the backdrop for a discussion of current state roles in financing water pollution control.

^{1/} Only six of forty-nine states responding to the survey reported grant assistance for nonpoint source mitigation projects such as agricultural, construction, and urban runoff control. These programs were found in Vermont, North Dakota, South Dakota, California, Idaho and Washington; California was the sole state offering a loan program in this area. Since the nonpoint programs are relatively small, the data collected in connection with this survey on total state spending for pollution control can be viewed as funding primarily for municipal wastewater treatment facilities.

The Federal Role in Water Pollution Control Financing

Federal participation in water pollution control at the state and local level began in 1948 with federal funding to states for pollution studies and planning of control programs. In 1956, federal grants became available to jurisdictions for construction of wastewater facilities. The amount of funding and the size of the federal matching share grew steadily over the next decade, with program authorizations reaching \$1.25 billion by 1971.

Amendments to the federal Water Pollution Control Act in 1972 greatly changed the federal grants program by requiring universal secondary treatment by 1977 and "fishable-swimmable" water quality standards by 1983. The federal government was now authorized to bear 75 percent of wastewater treatment facilities construction costs for eligible municipal projects. The second series of amendments to the Act passed in 1977 reaffirmed the national commitment to clean up the nation's waters by providing for substantial annual appropriations between 1978 and 1982. By the end of fiscal year 1981, federal outlays for sewerage treatment had risen steadily, although somewhat slower than expected, reaching \$33.2 billion.

The federal grant program is administered by the Environmental Protection Agency. Grants for municipal sewerage treatment are awarded in accordance with state priority systems, which are based primarily on the severity of pollution. The distribution of grant allotments among the states is largely governed by the ratio of estimated construction costs in each

state to the local costs of such facilities in all states. Computation of the ratios is based upon a "Needs Survey", which is revised every two years by EPA.

Construction grants are available only to units following specific technological approaches; assistance is not available for wastewater facilities operation and maintenance costs. Six major project categories are potentially eligible for the 75 percent federal grant: wastewater treatment plants, projects to correct infiltration and rehabilitate major sewers, collector sewers, interceptor sewers, projects to correct and combine sewer overflows (CSOs), and projects for the treatment and control of storm waters. However, storm water control is considered to be a low priority and not eligible for grants nor used to allocate grant funds among the states on the basis of needs.

In December 1981, federal legislation passed which significantly altered the federal government's role in water pollution control. The major provisions of this most recent round of amendments are summarized below:

1. All categories of treatment, storage and conveyance are eligible for federal funding until October 1, 1984. After that date, only secondary and advanced treatment, correction of infiltration/inflow and interceptor sewers will be eligible.
2. Governors will have discretion to use up to 20 percent of a state's allotment for ineligible categories of need.
3. After October 1, 1984, a governor may request construction grant funding for CSOs out of the state's regular allotment at the prevailing federal share where correcting CSO is a major state priority.

4. New construction grants approved after October 1, 1984, will be eligible for no more than 55 percent federal funding unless the governor elects to reduce this percentage prior to that date.
5. Beginning October 1, 1984, only capacity to serve residential and industrial flows existing on the date of the award of a construction grant for single, segmented or phased secondary and advanced waste treatment facilities or interceptor sewers will be eligible for federal assistance.
6. For fiscal years 1982-1985, \$2.4 billion annually is authorized, plus \$200 million for CSOs in fiscal years 1983, 1984 and 1985.
7. Effective on the date of enactment, costs for facilities planning and design (Step 1 and Step 2) are to be locally financed with reimbursement from EPA when the construction grant (Step 3) is approved, based on EPA's determination of general experience for such costs.

In January of this year, the future of the program became even more uncertain. The Administration introduced a New Federalism concept under which the Construction Grants Program would be turned back to states along with forty other programs with funding to be supplied, in part, by a New Federalism trust fund. At this writing, the content and details of the New Federalism initiative remain uncertain, as do the futures of all the programs to be encompassed by it.

State Roles in Financing Water Pollution Control

In response to the recent changes at the federal level, a flurry of activity has occurred in state capitols, as states anticipated the need to shift gears on their pollution control programs. State governments contemplating a continuing water quality program were suddenly faced with:

- a) dramatic reductions in the Construction Grants Program,^{1/}
- b) uncertainty over future appropriations for the Construction Grants Program,
- c) the mandatory lowering of the federal matching percentage from 75 percent to 55 percent on October 1, 1984 (or earlier at the governor's option), and
- d) competition for state dollars from more visible programs with more politically influential constituencies.

The data on the following pages summarize how the states have been involved in this program area in recent years and perhaps shed some light on what may be expected in coming years as the federal government relinquishes some of its current role in water pollution control financing.

As shown in Table 1, state financial commitments to water pollution control varied considerably from a high of \$327.8 million in California for the period 1976 to 1980 to a low of no funding in Alabama, Kentucky, Oklahoma, Utah, and Nevada.^{2/} The predominant form of assistance given to local governments in the 46 state providing data was grants, reflecting the direct link with the federal Construction Grants Program. In just a few states -- Maryland, Wyoming, California, and Washington -- both grant and loan programs were offered.

It should be noted that state loans can be significant. For example, in the period examined, Florida has made loans in an amount equal to \$231.6 million and Ohio \$116.3 million. Other states where loan programs are important -- either in

^{1/} A Congressssional bill appropriating \$2.4 billion in wastewater treatment grants for fiscal year 1982 became law on July 19, 1982.

^{2/} Data not provided for Kansas, North Dakota, and West Virginia Louisiana did not respond.

dollar terms or because they are the only form of assistance rendered -- are Tennessee (\$62.0 million), Texas (\$30.4 million), Oregon (\$23.6 million), and Mississippi (\$20.0 million).

In Table 2, the comparative analysis of state programs is taken a step further by showing three measures of state effort -- per capita spending for the period 1976 to 1980, state spending as a percentage of the federal Construction Grants allotment for those years, and state spending as a percentage of per capita personal income.

For the first indicator, Alaska ranks first with \$94.00 per capita provided from the state's current revenues and receipts from the sale of general obligation bonds. The state funds for local governments are available for projects receiving federal support and those that are not eligible. Other states with relatively strong showings are New Hampshire (\$35.18), Maine (\$29.96), Vermont (\$29.30), Illinois (\$28.65), Wisconsin (\$26.82), and Massachusetts (\$25.29). State assistance was also high in Florida (\$24.66) where the program provides strictly loan support rather than state grant payments.

The analysis of spending per capita from 1976 to 1980 for the 49 states responding to the survey broke down as follows: 39 had data to report, 7 did not have grant or loan programs (Alabama, Arizona, Kentucky, Nevada, New Mexico, Oklahoma, and Utah), and data were not available from three states (Kansas, North Dakota, and West Virginia). Louisiana did not respond to the survey.

The second measure of state effort that has been provided is the level of state spending compared with the amount of

Table 1

TOTAL STATE SPENDING FOR WATER POLLUTION CONTROL
FY 1976-1980
(millions)

<u>State</u>	<u>Grants</u>	<u>Loans</u>	<u>Total</u>
California	\$324.0	\$ 3.8	\$327.8
Illinois	327.2	0.0	327.2
New York	242.5	0.0	242.5
Florida	0.0	231.6	231.6
Massachusetts	145.1	0.0	145.1
Wisconsin	126.2	0.0	126.2
Ohio	0.0	116.3	116.3
Maryland	98.8	2.7	101.5
New Jersey	96.1	0.0	96.1
Missouri	95.5	0.0	95.5
Washington	75.0	7.4	82.4
Minnesota	81.2	0.0	81.2
Michigan	80.3	0.0	80.3
Indiana	74.0	0.0	74.0
Tennessee	0.0	62.0	62.0
North Carolina	54.7	0.0	54.7
Connecticut	51.5	0.0	51.5
Alaska	37.6	0.0	37.6
Maine	33.7	0.0	33.7
New Hampshire	32.4	0.0	32.4
Texas	0.0	30.4	30.4
Oregon	0.0	23.6	23.6
Hawaii	21.8	0.0	21.8
Georgia	20.0	0.0	20.0
Mississippi	0.0	20.0	20.0
Idaho	17.8	0.0	17.8
Nebraska	16.7	0.0	16.7
Iowa	15.6	0.0	15.6
Vermont	15.0	0.0	15.0
Rhode Island	11.5	0.0	11.5
Colorado	10.0	0.0	10.0
Delaware	7.5	0.0	7.5
Wyoming	2.7	4.5	7.2
South Dakota	0.8	0.0	0.8
Arkansas	N/A	N/A	1.8 ^{1/}
Pennsylvania	1.7	0.0	1.7
Virginia	1.5	0.0	1.5
South Dakota	0.8	0.0	0.8
South Carolina	0.2	0.0	0.2
Montana	*	0.0	*
Alabama	0.0	0.0	0.0
Arizona	0.0	0.0	0.0
Kentucky	0.0	0.0	0.0

* Less than \$50,000

^{1/} Arkansas provides grants and loans from current state revenues. The type and amount of assistance given depends on ability to repay.

Nevada	0.0	0.0 ^{1/}	0.0
New Mexico	0.0	0.0	0.0
Oklahoma	0.0	0.0	0.0
Utah	0.0	0.0	0.0
Kansas ^{2/}	N/A	0.0	0.0
Louisiana	N/A	N/A	N/A
North Dakota ^{3/}	N/A	N/A	N/A
West Virginia	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTALS	\$2,118.6	\$502.5	\$2,622.7

^{1/} A bond bank was created in 1981 which could provide loans for wastewater treatment.

^{2/} The state provides grants for planning; however, the funding amounts were not available.

^{3/} Municipalities may borrow from the Bank of North Dakota which is a state institution. Information on the amount of loans for water pollution control projects was not available. The state also has provided some grants for Clean Lakes projects.

Table 2

MEASURES OF STATE EFFORT
(Based on Total State Spending, FY 1976-1980)

	<u>Per Capita State Spending^{1/}</u>	<u>Total State Spending as % of Federal Allotment^{2/}</u>	<u>Spending as % of 1980 Per Capita Personal Income</u>	<u>State Per Capita Income Rankings</u>
<u>REGION I</u>				
Connecticut	\$16.58	15.2%	.14%	2
Maine	29.96	18.6	.38	38
Massachusetts	25.29	21.4	.25	12
New Hampshire	35.18	16.0	.39	27
Rhode Island	12.13	10.2	.13	20
Vermont	29.30	22.1	.37	40
<u>REGION II</u>				
New Jersey	\$13.05	7.7%	.12%	4
New York	13.81	9.9	.13	11
<u>REGION III</u>				
Delaware	\$12.58	6.6%	.12%	9
Maryland	24.07	15.5	.23	8
Pennsylvania	.14	0.2	*	21
Virginia	.28	0.3	*	22
West Virginia	N/A	N/A	N/A	43
<u>REGION IV</u>				
Alabama	\$ 0.00	0.0%	0.0%	47
Florida	24.66	27.0	.27	29
Georgia	3.66	5.2	.05	36
Kentucky	0.00	0.0	0.0	46
Mississippi	7.94	12.7	.12	50
North Carolina	9.31	15.1	.12	41
South Carolina	.06	*	*	49
Tennessee	13.50	19.6	.17	44
<u>REGION V</u>				
Illinois	\$28.65	25.0%	.27%	7
Indiana	13.48	12.6	.15	31
Michigan	8.67	6.3	.09	16
Minnesota	19.92	18.9	.20	17
Ohio	10.77	9.2	.11	19
Wisconsin	26.82	31.0	.29	25

* Less than \$50,000 or .05%.

^{1/} Based on U.S. Bureau of Census 1980 residential population counts.

^{2/} The federal allotment by state for fiscal years 1976-1980 was calculated using a funding ratio equal to state cumulative allotments under the program as of June 1981 divided by the U.S. total allotment for the same period.

Table 2 (continued)

	Per Capita State Spending ^{1/}	Total State Spending as % of Federal Allotment ^{2/}	Spending as % of 1980 Per Capita Personal Income	State Per Capita Income Rankings
<u>REGION VI</u>				
Arkansas	\$.79	1.3%	*	48
Louisiana	N/A	N/A	N/A	35
New Mexico	0.00	0.0	0.0%	39
Oklahoma	0.00	0.0	0.0	28
Texas	2.14	4.0	.02	18
<u>REGION VII</u>				
Iowa	\$ 6.60	5.8%	.07%	24
Kansas ^{3/}	N/A	N/A	N/A	15
Missouri	19.42	21.1	.22	30
Nebraska	10.64	14.8	.11	23
<u>REGION VIII</u>				
Colorado	\$ 3.46	6.3%	.03%	14
Montana	.06	*	*	34
North Dakota ^{4/}	N/A	N/A	N/A	33
South Dakota	1.16	1.2	.01	42
Utah	0.00	0.0	0.0	45
Wyoming	15.20	16.0	.14	5
<u>REGION IX</u>				
Arizona	\$ 0.00	0.0%	0.0%	32
California	13.85	15.6	.13	3
Hawaii	22.59	13.8	.22	13
Nevada	0.00	0.0	0.0	6
<u>REGION X</u>				
Alaska	\$94.00	41.8%	.73%	1
Idaho	18.83	27.0	.23	37
Oregon	8.97	9.5	.10	26
Washington	19.95	24.3	.19	10

* Less than \$50,000 or .05%.

SOURCE: Population based on the 1980 Census provisional numbers.

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- 1/ Based on U.S. Bureau of Census 1980 residential population counts.
2/ The federal allotment by state for fiscal years 1976-1980 was calculated using a funding ratio equal to state cumulative allotments under the program as of June 1981 divided by the U.S. total allotment for the same period.
3/ The State provides grants for planning; however, the funding amounts were unavailable.
4/ Municipalities may borrow from the Bank of North Dakota, which is a state institution. Information on the amount of loans for water pollution control projects was not available. The State also has provided some grants for Clean Lakes projects.

federal funding provided. The state allotments for the Construction Grants Program from 1976 to 1980 were estimated and the percentage of this amount the states provided on their own was calculated to provide a rough estimate of state commitments to water pollution control. High marks go to Alaska and Wisconsin with state spending equal to 41.8 and 31.0 percent, respectively, of their federal allotment. The strength of this commitment is illustrated by the fact that the national average, again for the thirty-nine states that have such data, is 13.6 percent. Other states showing a high level of involvement were Idaho (27.0 percent), Florida (27.0 percent), Illinois (25.0 percent), and Washington (24.3 percent).

It would appear from the survey that state involvement is highly correlated with states' recognition of the importance of the water resource to their economy. For example, states like Wisconsin, Maine, New Hampshire, and Florida that rely heavily on their tourist trade have outstanding records in the water pollution control area.

In an attempt to ascertain states' ability to pay for pollution control programs, per capita state spending for 1976 to 1980 is compared with the state's 1980 per capita personal income. It would seem from the data that the availability of financial resources is not the major determining factor in the amount spent by states for water pollution control. For example, the four states listed above do not rank very high in state per capita income: Wisconsin (25th), Maine (38th), New Hampshire (27th), and Florida (29th). On the other hand, many of the states with very high per capita personal incomes

have spent a relatively small portion of personal income on water pollution control. Some examples are Connecticut (2nd), California (3rd), New Jersey (4th), and Wyoming (5th).

In the next two sections, existing state programs are summarized and compared with respect to such criteria as eligibility, funding sources, and program structure. The details of each program vary to some degree, suggesting that there is no one "model" state program, but some common elements recur.

STATE GRANT PROGRAMS

Grant programs are the most common form of state financial assistance to local governments for wastewater treatment projects. Table 3 identifies the 32 states that currently sponsor grant programs to cover some percentage of the costs of projects receiving funding under the Construction Grants Program, and projects not receiving federal assistance.

Types of Grant Programs

The majority of states, twenty-seven, give grants to help local governments finance their share of the costs for projects funded through the federal Construction Grants Program. Most states contribute between 10 and 15 percent of the total eligible project costs. However, a few states will, under certain circumstances, finance as much as 25 percent of the these costs (Arkansas, Maine).

Several states have structured their matching programs a little differently in order to help jurisdictions pay for ineligible costs. In Vermont, local governments may receive up to 35 percent of total project costs in state grants; however, the combined total of federal and state grants cannot exceed 90 percent of total project costs. The state of North Carolina will finance one-half the non-federal share up to a maximum of 25 percent of the total construction costs or 50 percent of the nonfederal share, whichever is less. It follows that if the level of federal funding were reduced to fifty percent,

Table 3

STATE GRANT PROGRAMS
FOR WASTEWATER TREATMENT PROJECTS

	<u>Type of State Program</u>				<u>Funding Sources</u>		
	<u>Receive Federal Funding</u>	<u>% Match</u>	<u>Not Federally Funded</u>	<u>% Match</u>	<u>Current Revenues</u>	<u>State Bonds</u>	<u>Other</u>
ALASKA	X	12.5	X	50.0	X	X	
ARKANSAS	X	25max.			X		
CALIFORNIA	X	12.5	X	50-100		X	
COLORADO			X	80max.	X		
CONNECTICUT	X	15	X	30		X	
DELAWARE	X	10				X	
GEORGIA			X	Varies ^{1/}	X		
HAWAII	X	10	X	100max.		X	
IDAHO	X	15	X	90max.			x ^{2/}
ILLINOIS			X	75		X	
INDIANA	X	10			X		
IOWA	X	5			X		
MAINE	X	15-25	X	15-25 ^{3/}		X	
MARYLAND	X	12.5	X	87.5		X	
		(I&A=11.25) ^{4/}					
MASSACHUSETTS	X	15	X	40 ^{5/}		X	
		(I&A=9) ^{4/}					
MICHIGAN	X	5				X	
MINNESOTA	X	15	X	15	X	X	
MISSOURI	X	15	X	50 ^{6/}	X	X	
NEBRASKA	X	12.5			X		
NEW HAMPSHIRE	X	20			X		
		(I&A=12) ^{4/}					

^{1/} Usually 50 percent.

^{2/} Inheritance and tobacco tax revenues.

^{3/} Maximum 90 percent for small projects eliminating point source pollution in shellfish areas not to exceed \$100,000 per project.

^{4/} I&A = Innovative/Alternative treatment projects.

^{5/} 40 percent not to exceed \$1.0 million.

^{6/} State grant is limited to a maximum of \$600 per connection.

Table 3 (continued)

	Type of State Program				Funding Sources		
	Receive Federal Funding	% Match	Not Federally Funded	% Match	Current Revenues	State Bonds	Other
NEW JERSEY	X	8				X	
NEW MEXICO	X	12.5	X	100	X	X	
NEW YORK	X	12.5 ^{1/} (I&A=7.5) ^{2/}					x ^{1/}
NORTH CAROLINA	X	12.5	X	25		X	
PENNSYLVANIA	X	5 or 12.5 ^{3/}			X	X	
RHODE ISLAND	X	15				X	
SOUTH CAROLINA			X	Varies ^{4/}	X		
VERMONT	X	35max. ^{5/}	X	35max. ^{5/}		X	
WASHINGTON	X	15 (I&A=9)	X	50		X	
WEST VIRGINIA	X	5 or 15 ^{6/}			X		
WISCONSIN			X	60-75	X	X	
WYOMING	X	20max.	X	Varies ^{7/}			x ^{8/}
TOTAL	27		20		15	20	3

^{1/} A funding pool was established by the Legislature in 1972 and approved by the voters. Environmental Quality Bonds -- backed by the full faith and credit of the State -- are sold at least once a year.

^{2/} I&A = Innovative/Alternative projects.

^{3/} 5 percent for communities with financial hardship; 12.5 percent for preparation of facility plans.

^{4/} Under the State Rural Water and Sewer Grants Program limited supplemental funding assistance is provided for rural water and sewer expansions. The funding limitation is \$300 for each new service.

^{5/} Combined federal and state cannot exceed 90 percent of total project costs.

^{6/} Step 3 grants are for 5 percent or \$300,000, whichever is less. A community is eligible for a hardship grant (15 percent or \$400,000, whichever is less, if the community has a high public utility cost per connection expressed as a percent of median family income.

^{7/} Usually 50 percent.

^{8/} Mineral royalty and coal impact taxes.

the state program could contribute 25 percent.

To assure some minimum level of local participation in the financing of projects, a number of states have enacted limitations on their participation, such as:

- 1) limiting the combined state and federal funding to some percentage of the project costs (Vermont); and
- 2) reducing the state's contribution for innovative and alternative projects which is eligible for an additional 10 percent (85 percent total) of federal funding (Maryland, Massachusetts, Missouri, New Hampshire, New York, Washington).

In some states, the state's share is directly proportional to the federal government's share. For example, when the federal share is reduced from 75 percent to 55 percent, Connecticut state law provides for the state share to increase from 15 percent to 30 percent automatically. Therefore, the recent change in federal legislation might prompt Connecticut (and other states with similar provisions) to reassess its willingness and ability to provide increased funding.

As Table 3 shows, 15 of the 27 states providing grants to local governments for projects funded by EPA, also offer grants to localities for projects which have not received federal funds because they are ineligible or too low on the state priority list. This leaves five states on the list (Georgia, South Carolina, Illinois, Wisconsin, and Colorado) which only give grants to localities that are not eligible for federal assistance.

The percentage of the total project costs the state programs contribute for non-federally financed projects ranges from 15 percent in Minnesota to a 100 percent maximum in New Mexico, California, and Hawaii. Many states vary the level of state funding depending on the project, and several states have established a dollar amount ceiling. Massachusetts, for example, limits funding per project to \$1 million, and Missouri holds grants to 50 percent of the total project costs or \$600 per connection, whichever is less.

The type of projects eligible for state grants for non-federally financed projects varies from state to state. For example, Missouri, North Carolina, and Massachusetts only fund collection sewers, whereas Connecticut will fund most types of water pollution control projects except for new collectors. Wisconsin, on the other hand, will finance collection sewers, but only when the municipality is also constructing a treatment plant.

Although the majority of states with grant programs limit their funding to point source projects, six states have programs which fund or have funded nonpoint source projects:

- 1) clean lakes projects -- North Dakota, South Dakota, Vermont, and Washington;
- 2) agricultural runoff control -- Idaho and Washington; and
- 3) wastewater reclamation and water conservation facilities -- California.

North Dakota and South Dakota are not listed on Table 3 because

they do not fund wastewater treatment, but they each have a program to fund clean lakes projects.

The amount of the state share for nonpoint source projects varies considerably. For example, Vermont provides a grant for up to 75 percent of project costs for aquatic nuisance control, whereas South Dakota provides grants up to 25 percent for clean lakes projects which receive federal funding, up to 60 percent when no federal funds are received, and up to 100 percent for lakes which are primarily surrounded by state-owned land.

Selection Criteria for Grants

The selection criteria cited for the state grant programs are similar or equivalent to the criteria for the Construction Grants Program. Ten states indicated that, for the most part, they adhere to the federal criteria (Massachusetts, Delaware, Pennsylvania, Indiana, Minnesota, Alaska, New Mexico, Iowa, **California, and Idaho**), and ten states noted that they follow the state priority list (Massachusetts, Delaware, Maine, Michigan, Wisconsin, Missouri, Nebraska, South Dakota, Hawaii, Washington). Approximately one-third of the states with a grant program for non-federally funded projects indicated that in order to receive a state grant, the project must be eligible for federal funding, but too low on the priority list to receive a federal grant.

In addition to "federal criteria" or EPA-related "state priority lists," numerous other factors were named. Among the most common factors mentioned were:

- 1) financial need or hardship -- Alaska, Colorado, Wyoming, Idaho, Washington, Pennsylvania, West Virginia;
- 2) health and water quality -- Maryland, West Virginia, Georgia, Iowa, Colorado, Illinois, Idaho; and
- 3) readiness to proceed with a project -- Michigan, New Mexico, Idaho, Washington.

Several other criteria identified were: first come-first serve (Connecticut, Alabama); population affected (Maryland, Washington); population of 5000 or less (Colorado); violation of NPDES permit (Nebraska); communities experiencing the impacts of mineral mining projects (Wyoming); an emergency situation (Georgia); and problem prevention (Washington).

Funding of Grant Programs

As Table 3 shows, the most popular means of financing state grant programs are as follows:

- 1) state current revenues -- New Hampshire, West Virginia, Georgia, South Carolina, Indiana, Arkansas, Iowa, Nebraska);
- 2) state general obligation bond proceeds -- Connecticut, Maine, Massachusetts, Rhode Island, Vermont, New Jersey, Delaware, Maryland, North Carolina, Illinois, Michigan, California, Hawaii, Washington; and
- 3) a combination of state current revenues and state general obligation bond proceeds -- Pennsylvania, Minnesota, Wisconsin, New Mexico, Missouri, Alabama.

Three states use other methods for financing their programs.

In New York, the grants are financed through a funding pool which was established in 1972 by the Environmental Quality Bond Act; Idaho has a special fund, the Water Pollution Control Fund, which receives revenue from inheritance taxes and tobacco

taxes; and Wyoming funds its program through mineral royalty and coal impact taxes. This special funding source in Wyoming is in congruence with one of the selection criteria for Wyoming state grants -- the impacts of mineral mining on local community services.

STATE LOAN PROGRAMS

State loan programs for local government water pollution control projects are much less common than state grant programs for the same purpose. Thirteen states have a loan program which is designed specifically to assist local governments with wastewater treatment projects or has a significant impact on these types of projects. Nine of these programs provide loans for both federally funded point source projects and point source projects not eligible for federal assistance. Only California extends its loan program to nonpoint source projects.

Types of Loan Programs

In most of the states with a loan program, the percentage of project costs which is eligible for a state loan is 25 percent. As Table 4 shows, the percentage varies in some states (California and Florida) and may be limited to a maximum of 25 percent in others (Arkansas, Oregon, and Texas). Non-federally funded projects are typically eligible for larger loans of up to 100 percent of project costs (Maryland, Tennessee, Ohio, Texas, Oregon). The state of Maryland has a restriction that limits the amount of funding for non-federally financed projects to a maximum of \$500,000 per project.

Although most loan programs have provisions to allow a locality to borrow an amount equal to the total local share under the federal Construction Grants Program, three states have limits which are below the total local share. Washington

Table 4

STATE LOAN PROGRAMS
FOR WASTEWATER TREATMENT PROJECTS

	<u>Type of State Program</u>				<u>Funding Sources</u>		
	<u>Receive Federal Funding</u>	<u>% Match</u>	<u>Not Federally Funded</u>	<u>% Match</u>	<u>Current Revenues</u>	<u>State Bonds</u>	<u>Other</u>
ARKANSAS	X	25max.			X		
CALIFORNIA	X	Varies	X	Varies			x ^{1/}
FLORIDA	X	Varies	X	100max.		X	
MARYLAND	X	25 ^{2/}	X	100 ^{2/}		X	
MISSISSIPPI	X	12.5			X	X	
NEVADA	X	25	X	Varies	X		
OHIO	X	25	x ^{3/}	100		X	x ^{4/}
OREGON	X	25max.	X	100max.		X	
TENNESSEE	X	25	X	100		X	
TEXAS	X	25max.	X	100max.		X	
WASHINGTON	X	10				X	
WEST VIRGINIA	X	25				X	
WYOMING	X	15max.	X	Varies			x ^{5/}
TOTAL	<u>13</u>		<u>9</u>		<u>3</u>	<u>9</u>	<u>3</u>

- ^{1/} The state created a revolving fund in 1949 with a \$1.0 million appropriation. It is augmented by tideland oil and gas revenues.
- ^{2/} A maximum of \$500,000 per project is set.
- ^{3/} Three separate loan programs currently exist. The Ohio Water Development Authority provides financing to municipalities and industries for the construction of wastewater, solid waste and water treatment facilities. Another program gives interest-free loans to county commissioners so that they may grant agricultural deferments on high property tax assessments. The third program aids villages in financing the preparation of preliminary or detailed engineering plans and feasibility studies for sewerage and public water supply systems.
- ^{4/} Revenue bonds are issued by the State and the revenues of local government are pledged to payback the state loans provided by the Ohio Water Development Authority.
- ^{5/} Mineral royalty severance tax.

limits state loans for federally funded projects to 10 percent, Mississippi to 12.5 percent, and Wyoming to 15 percent.

Selection Criteria for Loans

In general, the selection criteria for the state loan programs (as reported in the survey responses) is less extensive and specific than the criteria for state grant programs. Among the most common criteria mentioned were:

1. receipt of federal funding -- Arkansas, Mississippi, West Virginia; and
2. financial need or hardship -- California, Texas, Wyoming, Oregon, Washington.

Other criteria mentioned were: composition of the population affected (Arkansas), seriousness of the problem (Texas), state priority list (Tennessee, Oregon), and impacts of mineral mining on local community services (Wyoming).

Funding of Loan Programs

The use of bond proceeds is the most common means of financing state loan programs. Six states fund their program through the use of state general obligation bond proceeds (Maryland, Florida, Mississippi, Texas, Oregon, Washington), and three states use revenue bond proceeds (West Virginia, Tennessee, Ohio). Three states rely on current state revenues (Arkansas, Mississippi, Nevada) to finance loans to localities.

Wyoming and California fund their programs from the revenues of specific taxes. Wyoming relies on revenues from the mineral royalty severance tax, while California partially finances its program through tideland oil and gas revenues. California has also established a revolving fund for its loan program.

Security on Loans

Most state loans to localities are secured by:

- 1) local taxes -- Arkansas, Tennessee, North Dakota, Mississippi, Florida, Texas, Wyoming; and/or
- 2) local sewer charges and fees -- West Virginia, Ohio, Tennessee, California, North Dakota, Florida, Texas, Wyoming.

Wyoming and Florida indicated that future state aid payments to localities also may be used for security. Among other types of security mentioned were: 1) promissory notes (Maryland); 2) project capital used as collateral (Wyoming); and 3) local bond issues backed by taxes or revenues from users (Oregon).

Interest Rates

The majority of the states with a loan program charge local governments an interest rate which is based on the rate the state pays on bonds used to finance the loan program (Tennessee, California, Maryland, Florida, West Virginia, Oregon, Texas). Various methods exist for calculating the interest rate. For example, Texas takes a weighted average of the net

effective interest rate on the three most recent state bond issues and adds one-half of one percent. California charges a rate equal to the net interest cost to the state on the sale of general obligation bonds during the previous five calendar years, rounding-up to the nearest one-tenth of one percent. Two other states specifically mentioned that they add on an administrative fee when calculating the interest rate charged to localities (West Virginia, Oregon).

Three states reported that the local interest rate is based on the "current interest rate" (Washington, North Dakota, Ohio). Although two of these states did not elaborate on how this rate is determined, Ohio indicated that it uses a rate equal to 50 basis points above the Bond Buyer's 20 Bond Index. Arkansas' local interest rate is equal to the set amount of 5 percent, and Ohio and Mississippi each have programs with interest-free loans. (Ohio has two separate interest-free loan programs.)

For all the programs identified, the interest rate charged localities ranged from zero to 13.4 percent (Ohio) during the summer of 1981. The majority of states responding to this question on the survey were charging an interest rate in the range of 7.0 to 9.9 percent (West Virginia, Tennessee, Florida, Wyoming, Maryland). California and Arkansas were somewhat below this rate at 5.5 percent and 5.0 percent, respectively.

OTHER STATE ASSISTANCE PROGRAMS

Besides grant and loan programs, states engage in numerous other activities related to project financing and financial management that qualify as state assistance programs. Typically, these service-type activities include

1. assistance in debt management,
2. training,
3. technical assistance,
4. publications, and
5. special financial assistance programs.

Debt Management

In the debt management area, states assist communities in raising capital funds for wastewater treatment projects by assisting in the issuance and marketing of debt. Some specific examples noted are:

1. requiring notification and/or approval of a debt issuance -- Arkansas, Connecticut, Florida, Michigan, Missouri, New Jersey, New Mexico, New York, North Carolina, South Carolina, Texas;
2. setting bond issuance procedures -- Indiana, Tennessee;
3. providing a bond bank -- Maine, Nevada, New Hampshire, Vermont; and
4. assisting in the selling or marketing of bonds -- Alaska, Maryland, North Carolina.

Three other programs cited by survey respondents that have the potential for assisting local governments in obtaining needed capital funds and equipment are found in

1. North Dakota -- where a state bank makes loans to communities for various purposes;
2. New Hampshire -- where the state will guarantee the interest and principal on bonds of grantees with its full faith and credit, limited by statute to \$190 million outstanding at any one time; and
3. West Virginia -- where the Water Development Authority has the power to lease wastewater collection and treatment facilities to privately owned businesses. (Program is not currently active.)

Training

A number of states have offered training programs through the state department of community affairs, the state agency responsible for regulating and/or overseeing the wastewater treatment function, and other state departments involved in some way with local financial management. The training programs that currently exist focus on a variety of topics, including:

1. general local financial management -- Arkansas, New Mexico, North Carolina, New York;
2. grant accounting -- Idaho;
3. financial and institutional planning for wastewater treatment -- Wyoming; and
4. financial aspects of treatment facilities operations -- New Jersey, Pennsylvania.

Technical Assistance

Technical assistance, particularly through on-site visits, is a major area of state involvement in local wastewater construction projects. Four states surveyed indicated the availability of on-site training under the general heading of financial management (Maryland, North Carolina, Pennsylvania, Oklahoma). Five additional states offer grant management assistance specifically to small communities (New Hampshire, Tennessee, Texas, Utah, Washington). New Mexico's on-site training stresses the development of local plans of operation and sewer use ordinances, while South Carolina offers on-site training for plant operators, managers, and engineers, as well as local officials.

Publications

New York and New Jersey, two states offering training at the state level, have developed training manuals for local administrators on financing wastewater projects (New York) and publications on a wide range of funding and financial management issues (New Jersey). The Wyoming Department of Environmental Quality has published a series of training manuals on burden analysis, financial capability, and risk analysis for municipalities, consultants, and other interested parties. Seminars were also held for local officials to introduce and explain the documents. In California, the State Water Resources

Control Board distributes a user charge manual to grantees and consultants, but offers no training at present.

Special Financial Assistance Programs

Three states provide financial subsidies to cover the local costs of operations and maintenance (O&M). The program in New York State is potentially the most beneficial, offering up to one-third reimbursement of local O&M costs. Massachusetts pays for 50 percent of local chemical costs for wastewater treatment while Pennsylvania subsidizes two percent of local O&M expenses based on the construction costs of the original facilities.

Six states provide grants and loans for special purposes or from sources other than general state revenues and bond issues. Income from energy sources accounts for these additional revenues in three states. Alaska provides a minimal \$2 per capita to local governments for wastewater pollution control; however, each municipality also receives an unrestricted grant of \$530 per capita for capital improvement projects. On a more modest level, Minnesota uses coal taxation revenues to partially finance wastewater pollution control facilities in "coal impact" areas, and Utah targets limited "community impact" funds for wastewater treatment generated from state energy resource leases.

Several states have special assistance programs for small communities. South Carolina provides limited supplemental

funding of \$300 per new service to assist in line extensions in small and rural communities. Ohio has established the Emergency Village Capital Improvement Fund, a revolving interest-free source of planning funds for villages and rural communities.

Finally, Vermont has allocated state funds to maintain local household sewer charges at a maximum of \$150 annually. Because of fiscal constraints, state officials anticipate a cutback in this state subsidy either by raising the ceiling or by targeting the funds to the neediest households.

STATE ROLES AND THE NEW FEDERALISM

Anticipating a larger role in the funding of local wastewater pollution control projects, a number of states originally reported in August 1981 that they were considering new financing mechanisms or strengthening programs currently in existence in response to the cutbacks in federal funding.

Four states responding to a question on financial contingency plans expected to increase their match or loan amounts (Washington, Connecticut, Maine, Alabama), while one state (North Carolina) said it would consider an immediate reduction in the federal percentage to stretch currently available funds over a larger number of projects.^{1/} Three states lacking contingency plans felt confident that the federal program would provide sufficient support for the coming year (South Carolina, Delaware, Florida).

Several months later, at the end of many states' 1982 legislative session, the states were again contacted to determine if legislation had been proposed, defeated, or enacted that would provide additional state assistance or if the states had undertaken any other actions that might affect their involvement in financing local wastewater treatment projects.

The follow-up survey results reveal considerable state activity to sustain local construction projects in the face

^{1/} As noted earlier, Governors may elect to reduce the percentage of federal funding below 75 percent before October 1, 1984.

of the reduction or elimination of federal grants and mounting pressure on state financial resources. More and more states are turning to loans and loan guarantees as a means of augmenting the funds available for wastewater pollution control. As of this writing, the level of future funding for the Construction Grants Program remains uncertain. This is a a major reason why 29 states have not developed more specific guidelines for allocating current state funds or new programs to replace the possible loss of federal funds. A number of states surveyed are confident that a reduced, but still sizeable, federal commitment to water quality will continue. If it does not, more and more states will move towards alternative funding mechanisms just now being introduced in the area of wastewater treatment, and increased emphasis on less expensive, alternative technologies.

There is no evidence that states have the capacity to match the anticipated reduction in federal funding, even if the Construction Grants Program is funded through 1985 at the levels recommended by the current Administration. Texas, Colorado, and Florida turned down legislative initiatives that would have utilized additional state tax or bond revenues to increase the level of state participation. Recently approved bond issues in North Carolina and Washington have been in the legislative process for several years and cannot be considered a response to recent changes. In addition, both states have traditionally provided substantial state assistance. While Nebraska and

Alaska are considering increases in the state share of non-federally financed projects, no state has actually passed legislation that would increase the percentage of outright state grants to localities. In attempting to accomplish more with limited resources, ten of the states that responded are planning to increase the size and flexibility of their loan and loan guarantee programs. Many of these initiatives are at the proposal stage and will face severe competition from other programs during state budget deliberations in the coming years.

Recent Changes in Grant and Loan Programs

Twenty of 49 states surveyed have undertaken some initiative since August 1981 that may influence their involvement in local wastewater projects. Nineteen of these initiatives involve legislation affecting state grants, loans, or loan guarantees. Only a few proposals, however, have actually been enacted by the legislatures and approved by voters (when required) in this relatively brief period.

The voters in two states have approved bond issues whose proceeds may be used wholly or in part to finance local wastewater construction projects. North Carolina's \$300 million bond issue is the third in a series passed since 1972 that provides funds for half of the local share, or 12 1/2 percent of the total costs, to local Construction Grants recipients. A \$450 million bond issue in Washington State will provide grants and loans to localities over the next eight years for a number

of capital projects including wastewater treatment, solid waste reclamation, and lake rehabilitation.

Three other states have taken legislative action that did not require voter approval. The Arizona State Legislature has established a Water Treatment Study Commission to conduct a needs survey for new and renovated facilities and a review of federal, state, and local revenue sources. Similarly, the State of Georgia has passed legislation creating the Environmental Facilities Study Commission to develop alternative sources of local and state funding. The Hawaiian State Legislature has voted to provide state loans for up to 75 percent of the costs for the planning and design stages, Step 1 and Step 2, of wastewater treatment projects. Under the revised federal Construction Grants legislation, most applicants will be reimbursed for a percentage of planning and design costs at the time the Step 3 grant for construction is approved, not when these costs are incurred.

In three states, proposals to provide additional wastewater financing were defeated either in the legislature or by the voters. Colorado's governor proposed an increase in state taxes to fund a Capital Improvement Budget for water and wastewater projects, but the proposal was voted down by the legislature. In Florida, a bill to provide state grants in addition to the currently funded state loans was not reported out of committee. Texas voters defeated a referendum that would have set aside up to one-half of any excess tax revenues to establish

a Water Assistance Fund for local water and wastewater projects.

Although most of the states surveyed now expect reductions in state spending as well as federal funds, a number of proposals have been initiated by state water quality agencies that would assist localities in continuing their construction efforts. Some of the proposals are being considered by state legislatures while others are still being developed within the agencies. These proposals are divided between grant, loan, and loan guarantee programs as a means of providing assistance to localities. Arkansas, Oklahoma, South Carolina, and Utah are considering various loan guarantee proposals at the departmental or legislative level. To conserve state funds, Minnesota is weighing the options of reducing state grants from the current level of 15 percent or converting from a grant to a loan program. Massachusetts' Department of Environmental Quality Engineering has requested legislation permitting the state to provide 90 percent pre-financing of local Construction Grants projects with funds to be repaid through the 75 percent federal match and a 15 percent state grant.

A number of states are considering legislative proposals to increase state funding levels. Energy-rich Alaska has approved a proposal that would increase funding from 50 percent to 70 percent of the cost for non-federally assisted projects. Appropriation, however, is not anticipated this session. The Nebraska legislature is considering a similar increase from 50 percent to 75 percent. Both Connecticut and Missouri have

proposed increases in bond revenues for fiscal 1983 that await voter approval. Missouri is also considering legislation that would transfer \$200 million in future bond issues earmarked for Construction Grants matching funds to be used to finance up to 55 percent of non-federally financed projects.

West Virginia, Wisconsin, and North Dakota indicated that all legislative initiatives in their states await resolution of the Construction Grants appropriation bill, while all state grants in Illinois have been suspended temporarily because of financial shortfalls. The suspension will be reevaluated in August 1982.

Other State Activities

No state has reduced the federal matching percentage below 75 percent, although 12 states indicated that this alternative has been considered. The survey revealed that many water quality administrators favor a reduction, but there is substantial political opposition in a number of states. The governor of Kentucky, for instance, has indicated that funding will remain at 75 percent during his administration. Another state^{1/} has discussed the reduction with state organizations representing both communities and architectural and engineering

^{1/} This state asked not to be identified, since it is considering the political, financial, and administrative feasibility of several alternatives.

firms and has encountered strong resistance from the state's Municipal League.

Three states will not reduce the federal percentage before it becomes mandatory in 1984 for diverse reasons. Alaska indicated that even at the 75 percent level, it will not exhaust appropriated federal funds on current projects. As mentioned earlier, the state has a substantial capital improvement fund available to localities. Oregon has considered the reduction, but the state has concluded that all eligible funds through 1984 are committed to projects approved at the 75 percent level. New Mexico indicated that a reduction will not be considered until several small communities have completed projects that would otherwise not be finished without 75 percent federal support.

The following seven states have considered a percentage reduction to fund more projects with federal dollars. State agencies in Arizona, Colorado, and Florida are preparing requests for their respective governors to reduce funding levels to either 50 or 55 percent of total costs. California, Hawaii, Iowa, and North Carolina have discussed the issue at the agency level and expect to further explore the option as their FY'83 budgets are more carefully considered.

While states have provided varying levels of technical assistance to localities in the past, several states indicated new initiatives in this area. The Mississippi Division of Water is providing increased assistance to local governments in

such areas as financial management and user charge development. The Oregon Water Quality Division of the Department of Environmental Quality is stressing the importance of the self-sustaining utility concept to localities, anticipating further constraints on federal and state funds for local projects. The department may propose legislation requiring local utilities to operate on an enterprise basis. The Oklahoma Water Facilities Engineering Division, as well, is encouraging the use of own-source financing for partially completed projects or for new projects that are far down the list of state funding priorities. The Division is also circulating its priority list among other funding agencies in order to encourage cooperation on projects where joint funding is necessary and possible.

SUMMARY

This summary of state assistance to local governments in financing water pollution control projects fills an informational gap that currently exists regarding the varieties of state programs. It also offers some comments on the future direction of these programs in the wake of a diminished federal financial presence in the area of water pollution control.

The major findings of this report, which are based on research and surveys of state water pollution control administrators, are as follows:

- o State grant payments to local governments for sewerage projects indicate that state financing of municipal wastewater treatment has been significant, providing almost 12 percent of total capital expenditures.
- o The information available on state grant and loan programs does not provide a comprehensive compilation of state programs nor does it give details of program structure such as eligibility criteria, grant formulas, sources of funding, interest paid on loans, and methods of securing loans.
- o Per capita spending for water pollution control has fluctuated considerably from state-to-state. Data collected for the period 1976 to 1980 showed Alaska spending the most, \$94.00 per capita. Several states made no financial contribution, and some had relatively new programs accounting for their low level of effort.
- o If total state spending from 1976 to 1980 is compared with each state's construction grant allotment for the same years, Alaska and Wisconsin are most committed with 41.8 and 31.0, respectively, spent from state sources for water pollution control.
- o Thirty-two states currently sponsor grant programs. Of these, 27 states give grants to EPA grant recipients to assist them in funding their share of project costs. State loan programs are much less popular -- only 13 were identified.

- o An inventory of other state assistance programs in the financial area includes training, publications' development, direct on-site technical assistance, special financial assistance programs, and assistance in issuing and marketing debt.

Looking to the future, the research and responses from those in the field at the state level suggests that:

- o States will attempt to sustain local construction projects in the face of the reduction and/or elimination of federal grants; however, there is little evidence that states have the capacity to fully replace diminished federal funding.
- o Funding cutbacks at the federal level and little or no growth in resources from state governments will force local governments to turn to small and alternative wastewater treatment systems and seek to have water quality standards downgraded.
- o Greater reliance will be placed on loan, loan guarantee, and support-type assistance programs rather than grant programs because of the mounting pressures on state financial resources.
- o Greater emphasis will be placed on having those who benefit from pollution control expenditures pay for the projects more directly through more and higher user charges, fees, and assessments. For example, the emphasis on the self-sustaining utility concept noted in Oregon is already a step in this direction.
- o Another likely occurrence will be the funding of state programs through the adoption of state taxes, charges, and fees levied on those entities that cause pollution or create a need for pollution control projects.
- o Critics of the administration's current proposals for the Construction Grants Program will still see the need for a program which is national in scope because of the unevenness in states' commitment to water pollution control and program performance. States that have traditionally had limited roles have not been aggressive in taking on new responsibilities.

- o Other spending priorities at the state and local levels will be addressed before pollution control because it lacks the visibility and political punch of other, more people-oriented programs.

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