



Senate

General Assembly

File No. 449

January Session, 2003

Senate Bill No. 1032

Senate, April 17, 2003

The Committee on Environment reported through SEN. WILLIAMS of the 29th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING WATER QUALITY PROJECT GRANTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 22a-478 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2003*):

4 (c) The funding of an eligible water quality project shall be pursuant
5 to a project funding agreement between the state, acting by and
6 through the commissioner, and the municipality undertaking such
7 project and shall be evidenced by a project fund obligation or grant
8 account loan obligation, or both, or an interim funding obligation of
9 such municipality issued in accordance with section 22a-479. A project
10 funding agreement shall be in a form prescribed by the commissioner.
11 A nonpoint source pollution abatement project shall receive a project
12 grant of seventy-five per cent of the cost of the project determined to
13 be eligible by the commissioner. A combined sewer project shall
14 receive (1) a project grant of fifty per cent of the cost of the project,

15 which cost shall be the cost the federal Environmental Protection
16 Agency uses in making grants pursuant to Part 35 of the federal
17 Construction Grant Regulations and Titles II and VI of the federal
18 Water Pollution Control Act, as amended; and (2) a loan for the
19 remainder of the costs of the project, not exceeding one hundred per
20 cent of the eligible water quality project costs. A construction contract
21 eligible for financing awarded by a municipality on or after July 1,
22 1999, as a project undertaken for nitrogen removal shall receive a
23 project grant of thirty per cent of the cost of the project associated with
24 nitrogen removal and a loan for the remainder of the costs of the
25 project, not exceeding one hundred per cent of the eligible water
26 quality project costs. Nitrogen removal projects under design or
27 construction on July 1, 1999, and projects that have been constructed
28 but have not received permanent, clean water fund financing, on July
29 1, 1999, shall be eligible to receive a thirty per cent grant. Any other
30 eligible water quality project shall receive (A) a project grant of twenty
31 per cent of the cost, which cost shall be the cost the federal
32 Environmental Protection Agency uses for grants pursuant to said Part
33 35 and said Titles II and VI, and (B) a loan for the remainder of the
34 costs of the project, not exceeding one hundred per cent of the eligible
35 project cost. [On or after July 1, 2006, all eligible water quality projects
36 eligible for funding shall receive a loan of one hundred per cent of the
37 eligible costs and shall not receive a project grant.] On or after July 1,
38 2002, eligible water quality projects that exclusively address sewer
39 collection and conveyance system improvements may receive a loan
40 for one hundred per cent of the eligible costs and shall not receive a
41 project grant. Any such sewer collection and conveyance system
42 improvement project shall be rated, ranked, and funded separately
43 from other water pollution control projects and shall be considered
44 only if it is highly consistent with the state's conservation and
45 development plan, or is primarily needed as the most cost effective
46 solution to an existing area-wide pollution problem and incorporates
47 minimal capacity for growth. All loans made in accordance with the
48 provisions of this section for an eligible water quality project shall bear
49 an interest rate of two per cent per annum. The commissioner may

50 allow any project fund obligation, grant account loan obligation or
51 interim funding obligation for an eligible water quality project to be
52 repaid by a borrowing municipality prior to maturity without penalty.

This act shall take effect as follows:	
Section 1	<i>July 1, 2003</i>

ENV *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 07 \$	FY 08 \$
Department of Environmental Protection	GO Bond Funds - Cost	See Below	See Below

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
Various Municipalities	Savings	See Below	See Below

Explanation

State Impact

The bill removes the sunset provision which would have eliminated grants to towns for eligible water quality projects after July 1, 2006. Under current law towns would have been eligible only for loans after that date. Based upon the Clean Water Fund financial analysis model, maintaining the grant portion of the program after July 1, 2006 for approximately \$100 million in clean water projects per year (current use) will increase future state GO bonding by an estimated \$27 million a year starting in FY 2007. Therefore, passage of the bill will result in an increase in General Fund debt service in future years.

At present, the Clean Water Fund program consists of a combination of grants and loans that are made to municipalities that meet the requirements of the Clean Water Fund program regulations. Grants are made for planning (55% of eligible costs) and for design and construction (20% of eligible costs) of water pollution control projects. In addition, the nitrogen removal component of a water pollution control project is awarded grant funding at a rate of 30% of the eligible

project cost. Combined Sewer Overflow (CSO) projects receive a 50% grant. Municipalities may also obtain a subsidized loan (currently at an interest rate of 2% and a term of twenty-years) for the remainder of the costs associated with the water pollution control project.

Municipal Impact

The bill would preclude an increase in debt service costs to municipalities because they would continue to be able to obtain funding for Clean Water Fund projects from state grants rather than just loans.

OLR Bill Analysis

SB 1032

AN ACT CONCERNING WATER QUALITY PROJECT GRANTS**SUMMARY:**

By law, certain water quality projects are eligible for both state grants and loans in varying proportions, depending on the project type. Under current law, eligible water quality projects will be able to receive only loans after July 1, 2006. This bill removes that restriction, and allows eligible projects to continue to receive grants on and after that date.

EFFECTIVE DATE: July 1, 2003

BACKGROUND***Related Bill***

sHB 6402, reported favorably by the Environment Committee on April 4, changes the funding allocations for several water quality projects.

COMMITTEE ACTION

Environment Committee

Joint Favorable Report

Yea 27 Nay 0