POLLUTION CONTROL BONDS PROGRAM NARRATIVE

Pollution Control Bonds,
General Obligation Bond Issuance

DEQ is requesting a debt issuance limit of $10.0 million for the 2013-15 biennium to provide State Revolving Loan Fund Match.

Program Designation	Recommended Maximum 2013-15 Levels		
	2013-14	2014-15	2013-15
State Revolving Loan Fund Match	$5,000,000	$5,000,000	$10,000,000
TOTAL	$5,000,000	$5,000,000	$10,000,000

POLLUTION CONTROL BONDS POLICY PACKAGE

Pollution Control Bond Funds and Clean Water State Revolving Loan Fund Use of Proceeds

Pollution Control Bond Funds Use of Proceeds

The debt service narrative chapter provides a detailed description of the DEQ Pollution Control Bond Programs.

In 2011-13, the maximum authorized bond sales of $16.74 million will be completed in the latter half of calendar year 2012.

For 2013-15, bond sales of $10 million will be needed to provide state match for up to $50 million in federal capitalization grants for the Clean Water State Revolving Fund.

A sale of $4.5 million of Pollution Control Bonds to finance orphan site clean-ups was completed in the 2007-09 biennium. No bonds for orphan site cleanup were planned for 2009-11. In 2011-13, a bond sale of approximately $6.74 million will permit DEQ to meet federal (Superfund) match; to operate and maintain remedies at both federal and non-federal sites; and to investigate and clean up sites where no remedy has been installed. No bonds for orphan site cleanup are planned for 2013-15

POLLUTION CONTROL BONDS POLICY PACKAGE

Projected uses of bond proceeds in the 2013-15 biennium are:

PROGRAM DESIGNATION	BOND AMOUNT	USE	SECURITY/PRIMARY REPAYMENT SOURCE
Clean Water State Revolving Loan Fund	$10 million	$9.85 million - State match for federal money in CWSRF for sewer and water loans to municipalities. $0.15 million - Bond transaction costs	Self-financed using the interest received component of the repayment schedules of existing and past CWSRF loans and of the CWSRF account itself.

POLLUTION CONTROL BONDS POLICY PACKAGE

Estimated New CWSRF Loans

Demand for low interest loans from the Clean Water State Revolving Fund is linked to the strength of the economy and the timing of the construction of approved projects. New grant and match monies, as well as the Clean Water State Revolving Fund Account, are used to make loans. For the 2013-15 biennium, DEQ estimates that it will issue up to $110.0 million in loans.

POLLUTION CONTROL BONDS POLICY PACKAGE NARRATIVE

Title: Clean Water State Revolving Fund – Loans and Bonds (#181)

Purpose:

This package seeks to obtain non-limited expenditure approval to fund $150,000 of bond issuance costs, including legal and other fees, associated with bonds issued to provide the state match component of up to three federal capitalization grants to maintain Oregon's Clean Water State Revolving Fund. The package also seeks limitation to provide $30 million of additional CWSRF loans using the federal grant monies received. The CWSRF provides below market interest rate loans to public agencies, including counties and municipalities, for three kinds of water pollution abatement projects: wastewater collection, treatment, and disposal systems; nonpoint source water pollution control measures: and implementation of management plans for federally designated estuaries (Tillamook and Lower Columbia River). DEQ issued its first CWSRF loan in 1991, and as of June 30, 2012, has written loans amounting to over $985 million to 147 Oregon communities.

The federal Water Quality Act amendments of 1987 created the state wastewater treatment revolving loan fund program (the CWSRF). The primary source of funds for this program is federal capitalization grants and repayments of principal and interest on existing loans. The federal act requires states to match federal dollars with state funds in an amount at least equal to twenty percent of the federal capital grant. DEQ issues General Obligation Bonds for the purpose of the match, which is authorized by the statewide Bond Bill each biennium.

For this package, bond issuance costs for the bonds will be sourced from the interest earnings received by the CWSRF and/or from bond proceeds. Interest earnings may be used to pay bond issuance costs.

Approval of this package ensures we continue to provide communities with affordable financing options for wastewater treatment and other clean water projects. Adequate wastewater treatment capacity is needed for communities' economic development future.

Without this package, DEQ would need to decline federal grants of $15 million per year, and there would be less state assistance to Oregon communities for such projects. Additionally, communities may face delays or higher financing costs for wastewater treatment and other clean water projects and DEQ would make fewer loans. DEQ would also need to decline approximately $50 million of federal capital grants in the 2013-15 biennium depending upon timing of the grants.

POLLUTION CONTROL BONDS POLICY PACKAGE NARRATIVE

How accomplished:

The state seeks authority to issue up to $10 million of CWSRF General Obligation Bonds during the 2013-15 biennium in the statewide Bond Bill as the means to provide $10 million of match funding for up to $50 million of federal capitalization grants. Package #191 provides the debt service for these bonds issued on a short-term basis to meet match requirements. If the demand for CWSRF loans remains strong and the long-term bond markets are favorable, DEQ will consider the alternative of issuing bonds with a 20-year maturity. This package seeks non-limited expenditure approval for up to $150,000 of bond-issuance costs for those bonds and for $30,000,000 of CWSRF loans associated with the federal capitalization grants expected in the 2013-15 biennium.

Budget: $30,150,000

Staffing impact: None

Revenue source: Non-Limited Funds

POLLUTION CONTROL BONDS POLICY PACKAGE NARRATIVE

Title: Small Community Clean Water Grant Fund (#182)

Purpose:

This package seeks to obtain non-limited expenditure approval to provide grants for the construction, upgrading or repair of wastewater treatment and disposal systems to small communities. Many small communities throughout Oregon have outdated or failing wastewater collection and treatment systems and/or residences with failing onsite systems. In many cases, the cost of repairs and upgrades are well above what the community or homeowner can afford. If not addressed, they can present human health risks and pollute surface water and groundwater.

The grant program would be funded by the enactment of Legislative Concept 550 which would change the purpose of the Sewer Assessment Deferral Loan Program (SADLP) and the eligible uses of the Assessment Deferral Loan Program Revolving Fund to establish the Small Community Clean Water Grant Revolving Fund.

Background:

In 1987, the Legislature established the sewer safety net program, also known as SADLP, so that DEQ could lend bond proceeds to local governments to pay for sewers for low-income homeowners unable to afford construction costs. When the property was refinanced or changed hands, the local government placed a lien on the property and repaid DEQ for the loan. The amount and timing of loan repayments were uncertain, so the Legislature decided to keep loan repayments within the program and to instead pay debt service with Lottery Fund, and later General Fund, appropriations. The last loan disbursement was made in 2000 and the final loan repayment was made in 2008. The account has also been accruing interest. The current balance in the SADLP fund is approximately $1.7 million.

DEQ has not received a loan request for SADLP funds in over a decade and is not aware of any communities that would be likely to make such a request. As such, DEQ believes that the fund is no longer needed for its intended purpose and proposes to use the funds for a different but related use.

How accomplished:
This package cannot be implemented unless Legislative Concept 550 is enacted. DEQ would implement the new grant program by using existing staff and would solicit grant applications for eligible projects once a year until the grant fund is fully expended. DEQ anticipates being able to expend the entirety of the fund during the 2013-2015 biennium by holding a maximum of two solicitations for grant applications, but cannot be certain that this will occur as it depends the number and quality of grant applications it receives.

Budget: $ 1,789,306

Staffing impact: None

Revenue source: Non-Limited Funds

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Environmental Quality, Dept of **Cross Reference Name: Non-Limited**

Pkg: 182 - Small Community Clean Water Grant Program **Cross Reference Number: 34000-008-00-00-00000**

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Special Payments							
Dist to Other Gov Unit	-	-	-	-	1,789,306	-	1,789,306
Total Special Payments	**-**	**-**	**-**	**-**	**$1,789,306**	**-**	**$1,789,306**
Total Expenditures							
Total Expenditures	-	-	-	-	1,789,306	-	1,789,306
Total Expenditures	**-**	**-**	**-**	**-**	**$1,789,306**	**-**	**$1,789,306**
Ending Balance							
Ending Balance	-	-	-	-	(1,789,306)	-	(1,789,306)
Total Ending Balance	**-**	**-**	**-**	**-**	**($1,789,306)**	**-**	**($1,789,306)**

DETAIL OF OTHER FUNDS AND FEDERAL FUNDS REVENUE

Source	Fund	2009-2011 Actuals	2011-2013 Legislatively Approved	2013-2015		
				Agency Request	Governor's Balanced	Legislatively Adopted
Non-Limited						
Existing CWSRF Bonds	OF	120,655,267	109,443,359	110,150,000	110,150,000	0
Orphan Bonds	OF	0	73,242	0	0	0
Sewer Assessment Deferral Loan Program	OF	0	0	1,789,306	1,789,306	0
Subtotal		120,655,267	109,516,601	111,939,306	111,939,306	0

Description	2009-11 Actuals	2011-13 Leg Adopted Budget	2011-13 Leg Approved Budget	2013-15 Agency Request Budget	2013-15 Governor's Budget	2013-15 Leg Adopted Budget
NONLIMITED BUDGET (Excluding Packages)						
SERVICES & SUPPLIES						
Other Funds	168,878	219,726	219,726	-	-	-
SPECIAL PAYMENTS						
Other Funds	120,486,389	109,296,875	109,296,875	80,000,000	80,000,000	-
TOTAL NONLIMITED BUDGET (Excluding Packages)						
Other Funds	120,655,267	109,516,601	109,516,601	80,000,000	80,000,000	-
NONLIMITED BUDGET (Current Service Level)						
Other Funds	120,655,267	109,516,601	109,516,601	80,000,000	80,000,000	-
NONLIMITED BUDGET (Policy Packages)						
PRIORITY 0						
181 CLEAN WATER SRF CAPITALIZATION GRANT LC						
SERVICES & SUPPLIES						
Other Funds	-	-	-	150,000	150,000	-
SPECIAL PAYMENTS						
Other Funds	-	-	-	30,000,000	30,000,000	-
182 SMALL COMMUNITY CLEAN WATER GRANT PRC						
SPECIAL PAYMENTS						
Other Funds	-	-	-	1,789,306	1,789,306	-
TOTAL NONLIMITED BUDGET (Policy Packages)						
Other Funds	-	-	-	31,939,306	31,939,306	-

Description	2009-11 Actuals	2011-13 Leg Adopted Budget	2011-13 Leg Approved Budget	2013-15 Agency Request Budget	2013-15 Governor's Budget	2013-15 Leg Adopted Budget
TOTAL NONLIMITED BUDGET (Including Packages)						
Other Funds	120,655,267	109,516,601	109,516,601	111,939,306	111,939,306	-
OPERATING BUDGET						
Other Funds	120,655,267	109,516,601	109,516,601	111,939,306	111,939,306	-
TOTAL BUDGET						
Other Funds	120,655,267	109,516,601	109,516,601	111,939,306	111,939,306	-