

WORKING GROUP FOUR
September 28, 2011
Memo to Water Infrastructure Finance Commission
Regarding “Blue Communities Act”

Proposal for a “Blue Communities Act”

General Recommendation: Create new, dedicated revenue stream(s) at the state level to support necessary water infrastructure investments. In creating this dedicated revenue stream, utilize principles, approaches, and provisions that

- Use broad based sources of funding with a nexus to the water issue
- Establish a dedicated fund
- Incent municipalities and districts to adopt Best Management Practices in financial and environmental sustainability
- Reward those municipalities and districts that have already adopted good policies and those that do so in the future
- Incent regional/watershed based solutions
- Incent full cost pricing, and sustainable asset management practices

Specific Recommendation: Pass legislation to create a “Blue Communities Act” modeled on the Green Communities Act.

- Revenues: This legislation would be funded through a broad-based revenue source with a nexus to water use.
 - Working Group Four Consensus: utilize as the primary revenue source a direct statewide mandatory .01 cent per gallon surcharge on all water rates (for residents who pay sewer but not water bills, sewer rates (the “mil”) and a tax on fertilizer and pesticides
 - *Also considered as revenue sources (but not included in this proposal):*
 - *charge on building permits,*
 - *funds from expanded bottle bill;*
 - *tax on pharmaceuticals;*
 - *port fees; swimming pool fees;*
 - *building permit fees;*
 - *MEPA permit fees*
 - *Portion of lottery and gaming revenues*
 - *Gasoline tax*
 - *Dedicated share of meal tax or lodging tax*
 - *Deduction of payment to state tourism account*
 - *Rate relief line item*
 - Funds would be deposited into and administered by the Water Pollution Abatement Trust

- Eligibility: Towns and/or districts must qualify as a “Blue Community” in order to be eligible for payments, grants and loans under the fund. Minimum Requirements: In order to qualify, municipalities and/or districts must have or adopt certain state-specified best management principles, in areas such as:
 - Enterprise funds,
 - capital planning,
 - asset management
 - full cost pricing

- Additional points for grant and loan applications could be added for such items as:
 - Conservation rate structures
 - Inter-municipal cooperation/regionalization/watershed approaches
 - Innovative technologies
 - Integrated water resources plans
 - Go With the Flow concepts such as
 - Dam removal
 - Aquatic habitat improvement
 - Abandoning streamside well
 - Open space protection

- A “Blue Community” would be eligible to access the funds for water infrastructure projects according to the terms outlined in the Act. WPAT would administer the funds. WPAT/DEP would handle ranking and prioritization of projects to be funded. Distribution of the fund would include:
 - **automatic retention** of 20% of the water rate surcharge **by each qualified Blue Community**– to be deposited into its enterprise fund;
 - Grants/loans program administered by WPAT **to which Blue Communities could apply** for assistance with planning, design, and construction of water-related infrastructure, including federally mandated stormwater mitigation projects, provided that the eligible community has a stormwater enterprise fund;
 - assistance in payment of debt service; debt relief; principal forgiveness for Blue Communities;
 - funding to encourage research and development of innovative technologies;
 - X percent to Bureau of Resource Protection at DEP
 - compensate for decreases in federal capitalization of the State Revolving Funds
 - *(Considered but not included in this recommendation: funding for DEP to staff primacy over Clean Water enforcement)*

- Special Provision for communities without existing utilities or with utilities that serve only a small fraction of the population
 - Pass statewide enabling legislation to authorize such communities by local option (town meeting vote and ballot election) to levy a water infrastructure surcharge on property taxes of 1-3% and/or use the revenues from the local share of the meals and rooms tax or other local revenues in lieu of the property tax
 - Exempt property values below \$100,000
 - Such revenues to be deposited into a Special Revenue Fund in the municipality for the purposes of water-related infrastructure
 - Town may keep 100% of the surcharge for up to five years while undertaking analysis, planning, design and construction. Analysis must include a cost/benefit analysis and consideration of watershed based, inter-municipal strategies for solving the problem.
 - During those five years, and notwithstanding the fact that the town is not contributing to the Blue Communities Dedicated Fund, town shall be eligible for Blue Community grants for planning and design, and construction
 - Additional points for projects that encourage regional solutions, and sustainable principles
 - After five years, the community must return to Town Meeting either to reauthorize the water infrastructure surcharge or to take steps to qualify to become a Blue Community and meet the requirements thereof.

MA WATER WITHDRAWALS & "BLUE ACT" REVENUE ESTMATES BASED ON 2000 - 2009 10-YEAR AVERAGE			
YEAR	TOTAL MA PWS WITHDRAWALS (MGY)	Metered Water @ 13% UAW	Metered Water @ 10% UAW
2000	256,380	223,051	230,742
2001	264,687	230,277	238,218
2002	258,596	224,979	232,736
2003	254,526	221,437	229,073
2004	252,871	219,997	227,583
2005	249,637	217,184	224,674
2006	237,264	206,419	213,537
2007	331,592	288,485	298,433
2008	323,106	281,102	290,795
2009	226,244	196,833	203,620
AVERAGE 2000-2009	265,490	230,976	238,941
REVENUE GENERATED (10-YR AVG)			
		13% UAW	10% UAW
	0.5 MIL/GAL	115,488,232	119,470,585
	1.0 MIL/GAL	230,976,464	238,941,170
	1.5 MIL/GAL	346,464,696	358,411,754
	2.0 MIL/GAL	461,952,928	477,882,339

