

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
SUSTAINABLE WATER INFRASTRUCTURE TASK FORCE

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PUBLIC HEARING

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BEFORE: Representative Camille George, Chairman
Terry Maenza, John Hood, Dana Aunkst

HEARING: Thursday, May 22, 2008
Commencing at 1:25 p.m.

LOCATION: Clarion Hotel Terrace Room
1896 Rich Highway
Dubois, PA 15801

WITNESSES: Tim Greenland, Harry Campbell,
John Hood, Matt Milliron

Reporter: Rhonda K. Thorpe

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CHAIRMAN GEORGE:

Good afternoon. I'm Representative Camille Bud George, Chairman of the House of Representatives Environmental Committee and Resources Energy Committee and a member of the Governor's Sustainable Water Infrastructure Task Force.

Pennsylvania's water infrastructure, including its drinking water facilities, waste water facilities and transmission systems is integral to the Commonwealth's economic, environmental and cultural vitality. Unfortunately, age, infrastructure, population growth, economic development and regulatory requirements to protect public health and water quality are creating a growing demand for investments in water and waste water infrastructure.

As a part of his commitment to rebuilding Pennsylvania's aging infrastructure to be able to serve the Commonwealth's citizens and businesses, protect the public health and grow the economy, Governor Edward G. Rendell created the Sustainable Water Infrastructure Task Force through Executive Order 2008-02. The Sustainable Water Infrastructure Task Force is charged with providing a report by

1 October 1, 2008 that analyzes the issues related to
2 long-term infrastructure, financing and offer
3 recommendations for the resolution of these issues.
4 To ensure the task force has as much information as
5 possible to accomplish this task, a series of public
6 meetings is being held throughout the state. Today is
7 such a meeting.

8 I'd like to, if I may, introduce Mr.
9 Terry Maenza, who is with the Pennsylvania American
10 Water Authority and is representing the president.
11 Ms. Kathy Pape, who is also a member of the
12 infrastructure board. And along to his left is Mr.
13 John Hood of the Pennsylvania Rural Water Association,
14 who is a member of the board.

15 Now, our first presentation will be given
16 by Dana Aunkst, Director of Pennsylvania Department of
17 Environmental Resources (sic), Bureau of Water
18 Standards and Facility Regulation. If you will,
19 ma'am.

20 MR. AUNKST:

21 Good afternoon, everybody. One of the
22 things we're trying to kick off all of these meetings
23 with is kind of a presentation on how did we get where
24 we're at with the Executive Order and the Sustainable
25 Water Infrastructure Task Force, where we're headed,

1 and while I'm here because it's something my bureau's
2 been working on for a year or so now, I want to
3 provide you with a pitch for sustainable
4 infrastructure.

5 Last October we were summoned by the
6 Governor's Office to help in developing the proposed
7 budget for this year. That would be the 2008/2009
8 budget. We begin working on the budget in October for
9 what is normally the Governor's presentation in early
10 February. When we put together the numbers in terms
11 of infrastructure investment needs as well as staffing
12 needs at the Department to oversee an infrastructure
13 program, it became very clear very early that the
14 infrastructure program was large enough that it was
15 not going to be able to be addressed by one bite of
16 the apple, meaning one budget year. So what was in
17 the Governor's proposed budget for this year was a
18 funding infrastructure program for high hazard dams
19 and some flood control projects across the
20 Commonwealth as well as some funds for about a
21 thousand bridge repairs on transportation
22 infrastructure.

23 As a follow-up to that, the Governor
24 issued the Executive Order 2008-02 that created the
25 Sustainable Water Infrastructure Task Force to

1 investigate the needs, the financial resources
2 available, innovative measures for addressing those
3 needs and sustainability issues.

4 That task force is made up of 30 members.
5 It's been given some specific tasks. I'll go through
6 those real quickly. To identify the gap between
7 financial need available (sic) and the resources to
8 address that need. Cost savings that may be achieved
9 or realized through innovative measures or
10 nonstructural alternatives. Some examples would be
11 the nutrient trading program in the Chesapeake Bay
12 watershed developed by DEP. Green infrastructure. A
13 lot of talk about green infrastructure investment in
14 the southwestern part of the state, where the combined
15 sewer system issue is prevalent and green
16 infrastructure being infiltrate as much of the storm
17 water as you can where it's generated instead of
18 transporting it and treating it at large waste water
19 treatment facilities.

20 One of the other tasks was to look at the
21 actual cost for providing sewer and water service to
22 customers in Pennsylvania. We have a situation
23 because of the varied economic status of communities,
24 the varied age of the infrastructure in different
25 communities, our users rates in Pennsylvania for sewer

1 service and drinking water service run the gamut of
2 everything from single digits in dollars per month,
3 \$8, \$9, \$10 a month all the way up to a hundred
4 dollars a month in some cases. With that large range
5 of user rates, it's difficult on the surface to figure
6 out what is the real cost for providing sewer service
7 and water service. So that task force has been asked
8 to look at that.

9 And finally, recommendations for
10 promoting sustainable infrastructure. The task force
11 created five working groups. When the task force was
12 first being put together, there was such an outpouring
13 of interest in serving on the task force that it
14 became very clear very early that in order to keep the
15 task force itself manageable we were going to have to
16 limit the numbers. So what the task force has done to
17 give everyone who's interested an opportunity to
18 participate, they've created these five working
19 groups, and there are a lot of people on these working
20 groups, anywhere from 22 to 30 people on various
21 working groups. There are a lot of people working on
22 this project.

23 There are three data collection work
24 groups. First is needs assessment, and their task is
25 to do just that. What are the true infrastructure

1 needs in Pennsylvania? There are various sources of
2 infrastructure needs surveys that are out there. The
3 most commonly referred to survey is the EPA needs
4 survey. It's done every four years. There are other
5 surveys that are out there by other entities. For
6 example, under Senate Resolution 224 the Legislative
7 Budget and Finance Committee has been directed to do a
8 needs survey on nutrient removal costs necessary to
9 meet the Chesapeake Bay requirements.

10 DEP, my staff, about a year and a half
11 ago started doing our own gap study, if you will. The
12 gap being the difference between the needs out there
13 and the financial resources available for
14 Pennsylvania. So that data is available as well.
15 That work group is to pull all of that together and
16 project a need for the Commonwealth.

17 There's an Innovative Measures work group
18 and that's exactly what I just said. That is to look
19 at nonstructural or innovative ways to achieve water
20 quality goals, public health goals in lieu of large
21 investment and bricks and mortar construction
22 projects. A committee to investigate and collect data
23 on the financial resources available. What are all
24 the sources of financing that are out there? Who's
25 using those sources? How are they being used?

1 There are two implementation work groups.
2 Financial sustainability is to look at things involved
3 with the financial viability of local service
4 providers, whether they be municipal authorities or
5 private entities. Things like eligibility criteria
6 for available funding. Are we directing our limited
7 resources that exist to the greatest benefit that
8 would be realized? What is the optimum mix of grant/
9 loan financing programs? Are grant programs better
10 than loan interest loan programs or are better
11 subsidies offered through low interest or zero
12 interest loans for that matter?

13 And finally, one of the other things that
14 is an issue of sustainable infrastructure is septic
15 systems, on-lot systems. In many areas of the
16 Commonwealth, we have to change our thinking and that
17 thinking being, in the old days, the '60s the '70s,
18 that on-lot systems were a temporary fix until the
19 public sewer comes down your street. That's not
20 always going to happen in Pennsylvania. There are
21 many places, many, many places where the on-lot system
22 itself is permanent infrastructure and it needs to be
23 managed in that way.

24 And finally, the last work group is
25 Legislative and Regulatory Issues. That group is to

1 look at exactly that. Do we need new legislation? Do
2 we need new regulation? Do we need to amend
3 legislation and regulation? Throughout all of these
4 work groups one common thread runs and that's the need
5 to educate everyone on the issue of infrastructure,
6 its importance to our economic vitality, to our water
7 quality, to our public health and convince the general
8 public that it's worth paying for these services.

9 As the Representative said, we're doing
10 public meetings around the state. This is the fifth
11 of the eight that we're doing. We've also gone to our
12 advisory committees to give this pitch. So far we
13 have been to the Small Systems Technical Assistance
14 Center, what we call the TAC board. We've also
15 briefed the citizens' advisory committee on this
16 effort.

17 The sustainable water infrastructure
18 initiative is also a very integral part of the state
19 water plan itself. And as many of you know, many of
20 you have been working on it and helping out with the
21 development, and as a result we have been working
22 directly with the statewide committee on the state
23 water plan to make sure that whatever this task force
24 comes up with is consistent with what they're working
25 on as well.

1 So very quickly, what is sustainable
2 infrastructure? The EPA defines it by four pillars,
3 and I don't know why they use pillars, but that's what
4 they decided to do. And they defined those pillars as
5 better management, full-cost pricing, water use
6 efficiency and a watershed approach. And what do
7 they mean to our programs, real quickly, in
8 Pennsylvania. We've been working, as I said, on the
9 sustainability concept for about a year, and we're
10 trying to link our program areas to some of these
11 pillars.

12 Under better management, for example,
13 we've recently ramped up and created a new operator
14 certification and training program that is one of the
15 better programs in the country. Another issue that
16 we're trying to tackle under the better management
17 pillar is workforce development. Fully 70 percent of
18 our certified operators are 55 years or older. In the
19 next ten years, we're going to have a significant
20 turnover and we're just not seeing the younger people
21 getting into this business. And we're trying to
22 develop outreach programs and education programs to
23 make sure that folks understand that this is a
24 professional career. It's not something that is dirty
25 and that no one wants to do regardless of what the

1 wages are.

2 Under system efficiency, we're looking at
3 things like water conservation and energy
4 conservation. Energy conservation in waste water
5 treatment plants, for example, and even water
6 treatment plants for that matter because you're moving
7 a lot of water, so generally you pump it. That takes
8 electricity. In the past, electricity has been
9 relatively cheap in Pennsylvania. When the rate caps
10 --- depending on what happens, when the rate caps go
11 off, we're going to see significant energy bills at
12 treatment plants. So we have to plan for that. We're
13 looking at energy conservation and efficiencies.

14 Under infrastructure financing --- this
15 is the fourth time I've done this this week --- that
16 is the focus of the task force. Infrastructure
17 financing, looking at the needs and the financial
18 resources available.

19 And finally, the last pillar is the
20 watershed approach. As I said, we're working under
21 the state water plan to make sure we're consistent
22 with the results of that planning effort. Another
23 program change we're looking at at the Department is
24 called integrated water resources management plans.
25 We have a lot of programs right now that are siloed,

1 but they all require water resources planning. And
2 very seldom are any of them coordinated, and we're
3 looking for better ways to coordinate those so that
4 watershed groups or municipalities or counties can do
5 one integrated water resources management plan. Green
6 infrastructure I mentioned. And the concept of
7 regionalization.

8 In the context of sustainable
9 infrastructure, regionalization can take many forms,
10 but I like to call it rightsizing. Regionalization in
11 the past has usually meant we build one treatment ---
12 one big treatment plant and we run pipes miles and
13 miles and miles to pick up customers. That's not what
14 we're talking about here. That may be the right thing
15 to do for certain situations and certain areas, but
16 there are other concepts under a regional approach
17 that can be achieved by say building several small
18 facilities all operated under the same umbrella
19 administration.

20 And with that, that's my pitch for
21 sustainable infrastructure and kind of a summary of
22 how we got where we are today on the Sustainable Water
23 Infrastructure Task Force. Thank you.

24 CHAIRMAN GEORGE:

25 I think the gentleman for his

1 presentation. Now we'll get into the witnesses that
2 have asked to be able to testify. In the meantime,
3 should anyone have come in within the last ten minutes
4 that wants to testify, I would hope that they could
5 register in the back of the room and prevailing time
6 we'll consider them.

7 First witness will be Mr. Tim Greenland
8 of the Pennsylvania Utility Contractors Association.
9 Good afternoon, sir.

10 MR. GREENLAND:

11 Thank you, Mr. Chairman. Good afternoon,
12 members of the task force and everyone else.

13 As the Chairman said, my name is Timothy
14 Greenland. I'm currently the president of the
15 Pennsylvania Utility Contractors Association, also
16 known as the P.U.C.A. or PUCA, which represents sewer
17 and water contractors and suppliers across the State
18 of Pennsylvania. I'm also the CEO and part owner of
19 Greenland Construction, which is a utility pipeline
20 contractor specializing in water and sewer lines,
21 treatment plants and pumping stations throughout much
22 of Pennsylvania. We're currently in our 33rd year of
23 business, and we employ approximately 75 to 100
24 individuals.

25 I appreciate this opportunity to offer

1 testimony on Pennsylvania's critical need to find a
2 solution for its water and sewer infrastructure needs.
3 I would also at the onset like to mention that
4 representatives of this task force, possibly a
5 different work group, received testimony on May 8th of
6 this year from Mr. Bruce Hottle of Eagle Concrete
7 Products who also represents the PUCA. I concur with
8 his testimony and I appear here today in support of
9 it.

10 I apologize for not submitting written
11 testimony prior to this afternoon's hearing. I just
12 learned of my appearance two days ago and did some
13 scrambling to get my written testimony put together. I
14 normally prefer not to read word-for-word from the
15 testimony, but since no one on the task force has had
16 the opportunity to review it, I may just revert to
17 that and as well as to curb my tendency to ramble on
18 when I paraphrase.

19 My testimony focuses on three major
20 areas, our water and sewer infrastructure needs from
21 the perspective of a utility contractor, our financing
22 options, both today and in the future, and cost
23 savings that can be associated with the efficient use
24 of the available funds.

25 Our infrastructure needs or our need for

1 clean water and the effective collection and treatment
2 of waste is fast approaching crisis level in the State
3 of Pennsylvania. Some argue that the crisis was
4 reached years ago and continues to deepen as the
5 Chairman commented on. The truth is that the needs
6 are great. The funds are scarce at best. The number
7 of communities with failing or substandard water and
8 waste water systems is increasing for a variety of
9 reasons. A good number of these systems were built
10 many years ago and have been in operation much longer
11 than originally intended. They're mechanically worn
12 out.

13 Some systems have experienced failure due
14 to the lack of adequate maintenance, in most cases due
15 to the unavailability of local funds to perform proper
16 maintenance. Other systems are inadequate today
17 simply because effluent standards have increased
18 beyond yesterday's technology. In many areas of the
19 state, expansion of the user base has pushed old
20 treatment facilities to their limit, forcing
21 moratorium on new residential, commercial and
22 industrial construction which acts to stall economic
23 growth within the state.

24 Many systems in use today have failing
25 collection and interceptor pipelines that allow

1 groundwater and runoff from rain events to infiltrate
2 causing huge inflows that exceed the treatment
3 capacity of the already failing plants. Some of these
4 pipeline systems built many years ago were designed as
5 combined sanitary/storm water systems with built-in
6 overflow provisions. When the sanitary sewer becomes
7 overloaded, raw sewage spills into the storm sewer
8 system and flows directly untreated into our rivers
9 and streams and eventually into the very water we use
10 for consumption.

11 There are still many communities without
12 managed water and sewage systems in the state. Some
13 contain private sewer lines installed long ago without
14 adequate septic systems. Of those constructed with
15 septic systems, many are failing. Both result in raw
16 sewage spilling into our water sources and in some
17 cases visibly running through storm water systems and
18 open ditches. This contributes to contamination of
19 our fresh water supply, which requires the use of
20 additional funding to provide clean, safe water for
21 consumption.

22 The 2004 Clean Water Needs Survey Report
23 to Congress by the U.S. Environmental Protection
24 Agency documented that the 20-year capital investment
25 need for Pennsylvania's publicly owned water and sewer

1 infrastructure is more than \$20 billion. With the
2 recent sharp increases in the cost of oil and major
3 construction materials, the annual increase of our
4 unfunded needs is rising at an exponential rate. The
5 longer we wait to institute an effective solution, the
6 greater the chance of failure.

7 I would like to add one thing for our
8 Chairman here that thanks in part to the hard work and
9 dedication of you, Mr. Representative, central
10 Pennsylvania has recently been the recipient of
11 substantial funding and has been able to take big
12 steps towards updating its water and sewer
13 infrastructure. For this, we're grateful. But this
14 is a statewide issue and there are many communities in
15 dire need of funding. This leads to the next area of
16 my focus, financing now and in the future.

17 There are currently four main sources of
18 funding available in Pennsylvania for water and sewer
19 infrastructure projects, the Pennsylvania
20 Infrastructure Investment authority, known as
21 PennVEST, the Federal Rural Utilities Services, RUS,
22 the U.S. Corps of Engineers and local government bond
23 issues. Of these sources, PennVEST has been the most
24 viable and successful because it's structured as a
25 state revolving fund allowing it to be at least

1 partially self sustaining. RUS funds are available as
2 loans at a rate of four percent and grants are only
3 available on a restricted basis. Grants through the
4 Corps of Engineers are extremely difficult to obtain
5 and their availability has been diminishing. Many
6 communities, especially the smaller ones in rural
7 Pennsylvania, do not have the financial strength of
8 expertise to issue bonds to fund their infrastructure
9 needs.

10 PennVEST was created as a result of the
11 Clean Water Act, more formerly known as the Federal
12 Water Pollution Control Act, which provided federal
13 funds to seed the Clean Water State Revolving Fund or
14 the SRF. It required state matching funds and
15 mandated that the future principal and interest
16 payments from borrowers would be returned to the fund
17 to be made available for future water and sewer
18 infrastructure projects. The achievement of self
19 sustainability allows the state to eventually leverage
20 every federal dollar into the future theoretically
21 increasing the funds available as time goes by.
22 However, that theory depends on two critical factors,
23 an initial level of federal funds high enough to
24 overcome the amortization of our infrastructure needs
25 and a commitment to federally fund the program

1 consistently from year to year, foregoing the urge to
2 cut funding in times of national economic downturn.

3 In recent years, the annual funding
4 through PennVEST has decreased from \$320 million in
5 loans and grants to \$262 million, due mostly to
6 reductions in federal funds. At this rate, the total
7 funding available from PennVEST on a yearly basis will
8 not even cover the annual rate of construction cost
9 inflation. We are effectively leveraging our crisis
10 to higher levels with each passing day.

11 Earlier this year, the PUCA hosted an
12 informational event in Harrisburg which we assembled a
13 panel of state and federal experts in the water and
14 sewer infrastructure funding arena. Included were top
15 representatives from PennVEST, the Pennsylvania
16 Department of Environmental Protection, Penn Future,
17 the Clean Water Council, the Senate Minority
18 Environmental Committee, the House Majority Finance
19 Committee and the California University of
20 Pennsylvania Institute for Law and Public Policy. The
21 presentations of these esteemed panelists acknowledged
22 the crisis situation that exists in Pennsylvania and
23 warned against the perils of depending too heavily on
24 federal funding, which has been decreasing and is
25 expected to continue to trend downward in the

1 foreseeable future.

2 Recognizing the need for a sustainable
3 funding source at the time PennVEST was instituted,
4 the PUCA promoted the idea of the Clean Water Trust
5 Fund to operate through and in conjunction with
6 PennVEST to provide additional self-sustaining funds
7 to ensure the success of the SRF. Today, we continue
8 to present and promote this initiative as a major
9 component of the funding solution for the future.

10 The Clean Water Trust Fund will provide a
11 self-sustaining funding source that is dedicated
12 solely to the water and sewer infrastructure needs of
13 Pennsylvania. This would generate an estimated \$240
14 million annually by instituting a user fee for all
15 public water and waste water systems at a rate of 20
16 cents per thousand gallons of usage. This would
17 amount to a charge of approximately \$2 per average
18 household across the state.

19 Under the proposal, one third of the
20 funds collected would remain with the local
21 municipality or authority to be accumulated for use as
22 the local community's portion of the funding for
23 solving water and waste water problems in that
24 community. The balance of the funds would go into a
25 trust fund that would be distributed through PennVEST,

1 an agency already equipped to process such funds, for
2 statewide water and sewer infrastructure project. One
3 half of the trust fund contributions would be
4 distributed as grants to enable the residents of
5 Pennsylvania's communities to more easily afford the
6 present cost of construction. The other half would be
7 placed into revolving loan funds to be distributed to
8 local municipalities at a favorable rate of interest.
9 Repayments to the trust by the borrowers would
10 increase funds available in the trust for future
11 infrastructure needs, very similar to the original
12 design of PennVEST itself.

13 It's critical that legislation be passed
14 to adopt this Clean Water Trust Fund initiative to
15 ensure the proper distribution and use of generated
16 funds and to prevent diversion of the funds for other
17 purposes. The fact that these new funds would be
18 channeled that this --- of this since a new
19 bureaucracy would not be necessary to manage this new
20 flow of funding. The data collection system required
21 is already in place which would enable the trust fund
22 to begin almost immediately. I encourage you to take
23 a close look at the Clean Water Trust Fund legislation
24 proposed by PUCA as a major viable, self sustaining
25 part of the solution to our critical clean water

1 infrastructure needs.

2 There are some municipalities in the
3 Commonwealth that would argue that they can readily
4 satisfy their own local needs through institution of
5 rate increases on their own user base. Most of these
6 have not truly considered the full cost, including
7 long-term maintenance needs necessary not only to
8 retrofit and sustain their existing systems but to
9 also allow for future expansion needs. Statewide
10 assessment of the most critical needs together with
11 application of statewide funding sources to those
12 needs will result in the lowest possible cost to each
13 locality needing funds under the Clean Water Trust
14 Fund initiative. PennVEST is already capable of
15 distributing funds on a prioritized, as-needed basis.

16 Pennsylvania is unique among many states
17 in the nation with regards to the availability of
18 fresh water. If we do not develop the best way to
19 collect it, treat it, protect it from contamination
20 and distribute it to the end users, we will
21 unnecessarily forego our potential for economic
22 growth.

23 Attached to this written testimony is a
24 summary of the PUCA Clean Water Trust fund initiative
25 for your review and consideration. It's the blue

1 pages that are attached to the written testimony.

2 It's time for Pennsylvania to realize and
3 acknowledge that we cannot continue to depend on
4 federal solutions to local problems. It's time for
5 Pennsylvania to take legislative action to correct its
6 water and sewer infrastructure needs and devise a plan
7 for the future of the Commonwealth.

8 I'd again like to add that Representative
9 George's longstanding commitment and involvement in
10 PennVEST has played a major role in PennVEST's success
11 and he's infinitely more qualified than I and most
12 anyone else in the Commonwealth to tell the PennVEST
13 story.

14 And it's a bit of a daunting task to sit
15 before you, Mr. Chairman, and speak on the issue of
16 water and sewer infrastructure funding when you were
17 championing it when I was in diapers.

18 CHAIRMAN GEORGE:

19 You had to tell everybody how old I am,
20 didn't you?

21 MR. GREENLAND:

22 Well, I'm looking old myself and I don't
23 want them to confuse it. This brings me to the third
24 focus of my testimony, which is possible cost savings
25 through the efficient use of available funds.

1 In addition to the creation of a new
2 self-sustaining source of funding, the solution to our
3 water and sewer infrastructure needs now and in the
4 future must include corrective measures to ensure the
5 efficient and effective use of all available public
6 funding. You may be shocked to learn that the current
7 methods of administering public works projects for
8 water and sewer infrastructure projects in
9 Pennsylvania result in substantial waste of what
10 precious little funding is available. Without the
11 adoption of corrective measures, the amount of waste
12 will grow even larger if we do identify new sources of
13 funding.

14 It's estimated that at least ten percent
15 of the current expenditures for water and sewer
16 infrastructure projects is lost due to our sales tax
17 code, our antiquated public works procurement code,
18 our current disadvantaged business enterprise program
19 requirements and the lack of standardized contract
20 documents. As inconceivable as it may seem,
21 Pennsylvania, while constantly struggling to provide
22 enough funds just to keep pace with the construction
23 cost inflation on water and sewer infrastructure
24 projects, imposes and collects sales tax on many of
25 the materials and services incorporated into these

1 projects.

2 Under current regulations, all materials
3 used in the construction of buildings or other
4 permanent improvements to real estate, or water or
5 sewage treatment facilities, is subject to the six
6 percent sales tax even though those improvements are
7 necessary to house tax-exempt water and sewer
8 treatment and processing equipment. The installation
9 of new storm water systems, even those projects
10 designated to remove sewage overflows from entering
11 our rivers and streams are subject to the sales tax.
12 A large number of contractors who primarily build the
13 water and sewer treatment plants, pump stations and
14 pipelines are required to pay tax on the equipment and
15 tools necessary to perform that work. The tax
16 assessed on these costs is included in the bid prices
17 for public works projects in Pennsylvania.

18 With the cost of equipment and tools for
19 even a small to midsized contractor in the millions of
20 dollars together with costs of materials and services
21 expended on water and sewer treatment plant and storm
22 water projects throughout the state, the amount of
23 sales tax collected is a direct diversion of badly
24 needed water and sewer infrastructure funds. Why do
25 we collect sales tax on the expenditure of publicly

1 collected funds? This is clearly an inefficient use
2 of public funds.

3 PUCA has promoted broad tax exemption for
4 public works projects, and I encourage the task force
5 to explore the savings associated with this
6 initiative.

7 Another major waste of currently
8 available funding for our public works water and sewer
9 infrastructure projects is the direct result of our
10 outdated procurement code. Act 57 of 1998 combined
11 various procurement legislation into a new
12 Commonwealth Procurement Code but failed to update the
13 individual pieces of legislation to include necessary
14 technical corrections, or to include language needed
15 to conform to the federal acquisition regulations, or
16 other commonly-accepted standards in private contracts
17 for similar work such as the American Institute for
18 Architects and the Engineers Joint Contract Documents
19 Council.

20 Over the years, PUCA has promoted
21 revisions to the Procurement Code which have evolved
22 through Senate Bill 770 of 2003 and House Bill 652 of
23 2005 and to our current initiative. This initiative
24 includes 15 proposed changes designed to provide
25 fairer, more consistent public works contract language

1 that will encourage more competitive bidding and
2 result in lower project costs on a statewide basis.
3 Details of the proposed initiative are also contained
4 as an attachment to my written testimony on the yellow
5 sheets.

6 I'm going to skip over reading the 15
7 changes. You can refer to those in the written
8 testimony. But many of these changes merely propose
9 to update Pennsylvania's code to mirror federal
10 provisions, contract practices already established are
11 upheld by the Courts and standards currently adhered
12 to voluntarily by the private sector.

13 To further understand the proposed
14 changes, consider that the very nature of the
15 competitive bidding process for public works contracts
16 in Pennsylvania results in nonnegotiable contracts for
17 the bidders. By submission of its bid, the bidder is
18 bound by all terms contained within the contract
19 specification book and on the project drawings.
20 Unlike the private sector, where the terms to the
21 contract, and therefore, the price offered are
22 negotiable prior to entering into the construction
23 agreement, the bidder's only technical recourse on a
24 public works project is to not offer a bid, and
25 thereby forego the opportunity for a chance to perform

1 the work. Fewer bidders can lead to reduced
2 competition and higher prices.

3 With the lack of nonstandardized (sic)
4 contract documents in our public works projects and
5 the practice of some local municipal authorities, or
6 in many cases their professional engineers, to include
7 contract provisions that put the contractor at a
8 disadvantage, the only way for a contractor to survive
9 in the public works market is to accept risks that far
10 exceed those in the private sector.

11 Because prices are fixed at the time of
12 bid receipt and contracts are not negotiable after
13 bids are opened, bidders are necessarily forced to
14 calculate their added risk and include contingency
15 dollars in their respective bids to protect their
16 financial interests. Again, due to contract
17 provisions that are not negotiable and which are not
18 regulated by state legislation, many authorities or
19 their professional engineers craft language to assign
20 the cost of these added risks as inclusive to the
21 contract, allowing no separate measurement of the item
22 for payment to the contractor should the risk actually
23 be encountered during construction.

24 This practice results in the municipal
25 authority paying the contractor's full contingency

1 price even if the risk never materializes during
2 construction. If the authority would accept the risk
3 that is rightfully theirs, they would only incur the
4 cost of risks that actually occur.

5 If you give a contractor fair contract
6 language and pay him on time, in turn he will offer
7 the most competitive pricing he can. On a statewide
8 basis, this would substantially reduce the cost of
9 water and sewer infrastructure projects. In my 33
10 years of experience in this industry, I've
11 administered many contracts containing provisions so
12 unfair that which if contained in private sector
13 contracts would have certainly resulted in no bids
14 being offered for the work. I've even encountered
15 public works contract language that while in clear and
16 direct violation of our current procurement code was
17 considered to be valid by the project engineer simply
18 because they choose to write it into the contract.
19 How can anyone expect to receive competitive bid
20 pricing in such an environment?

21 For more detailed information regarding
22 my personal experiences under the current procurement
23 code, I would invite the members of the task force to
24 obtain and review a copy of my testimony on House Bill
25 652 of 2005 which was offered on August 10th, 2005. I

1 would be happy to provide copies upon request.

2 If contract documents including
3 specifications, standard drawing details, measurement
4 and payment provisions and line item bid schedules
5 were standardized for all public works projects at the
6 local government level, very substantial savings would
7 be experienced. The attached flow chart, which is the
8 last sheet in the written testimony that I provided,
9 depicts forms of standardization existing at the
10 various levels of private and public construction
11 projects. All governing regulators in both the
12 private and public construction sectors adhere to
13 standards with the exception of local government
14 units, and you can see that on the flow chart. Every
15 identified regulator within the private and public
16 sector has standards and they are listed in this flow
17 chart, with the exception of our local government
18 units.

19 So we essentially --- when we did this
20 work and administered these contracts, there are 700
21 plus municipal authorities in the state, all of which
22 can have a professional engineer that can write the
23 contract documents any way they wish. We have no
24 standards. We have 700 different types of contracts
25 that we have to try to interpret at bid time. Many

1 times we had two or three weeks to bid these projects
2 as well. It makes it very difficult.

3 Most of these regulators or organizations
4 that have standards do so because they have learned
5 that standardization results in lower overall project
6 costs. When risk is properly assigned and confusion
7 is eliminated for the contractors offering bids,
8 standardized contract documents encourage more
9 competitive bidding by allowing contractors to base
10 their prices for a particular project on their ability
11 to obtain certain levels of production rather than by
12 forcing them to assume undue contract risks and to
13 essentially exercise clairvoyance in the computation
14 of their bid.

15 If standardized contract documents are
16 developed for public works projects at the local
17 government unit level, it's imperative that
18 legislation be enacted to compel all local government
19 units utilizing public funds, and their professional
20 engineers, to comply with the standards. Otherwise,
21 they'll not be utilized and the time and cost expended
22 to produce them will have been wasted.

23 I'd like to offer comments on one final
24 cost-reduction strategy for water and sewer
25 infrastructure projects. The current Disadvantaged

1 Business Enterprise program, DBE/MBE/WBE as its known,
2 adds unnecessary cost to public works projects and
3 does not appear to be accomplishing its original goal.

4 All bidders on projects federally-funded
5 under the PennVEST Clean Water and Drinking Water
6 State Revolving Fund loan programs are required to
7 demonstrate their good faith efforts with detailed
8 documentation showing compliance with the DBE
9 requirements. These good faith efforts must occur
10 prior to the bid opening and oftentimes result in the
11 mandatory submission of hundreds of pages of
12 documentation with each bid offered. Countless hours
13 are spent by staff personnel for bidders, by municipal
14 authorities, their professional engineers and state
15 regulatory agencies, to comply, report and review
16 performance under the program. Bidders ultimately
17 include these costs in their bid prices for projects.

18 The program seeks to encourage
19 participation of disadvantaged businesses through the
20 award of subcontracts for construction-related
21 services and/or the procurement of materials and
22 supplies. To be deemed truly successful, the end
23 result should be the eventual transformation of
24 disadvantaged businesses into thriving competitive
25 companies that no longer need to rely on the DBE

1 program to participate in publicly-funded
2 construction. This can occur only if they are trained
3 and/or mentored to successfully compete under free-
4 market rules, and they're required to meet performance
5 standards along the way to eventually exit the
6 program.

7 Instead of accomplishing this, the
8 current program requires that the market rules be
9 changed with respect to conducting business with
10 disadvantaged firms. As a result, DBE firm are rarely
11 competitive enough to win subcontracts and/or purchase
12 orders and are thereby actually restricted from
13 participation in public contracts. And they do not
14 receive the necessary training and experience to exit
15 the program and function as a competitive business.

16 PUCA proposes an overhaul of the current
17 DBE program to focus on training. The dollars
18 currently being spent and wasted for administration by
19 government agencies and for compliance by bidders and
20 municipal authorities could be much more efficiently
21 utilized for teaching disadvantaged businesses how to
22 function and compete in our economy.

23 Educational efforts must also be directed
24 towards municipal authorities and other local
25 government units especially those in small rural

1 communities that may have never administered a major
2 public works project and towards their professional
3 engineers and solicitors. Many lack the experience to
4 properly and efficiently administer public works
5 contracts, which can lead to unnecessary contract
6 disputes adding substantial litigation costs that
7 further stress available funding, increase user rates
8 and delay other projects from being constructed.

9 In closing, I would like to say that the
10 contractor and associate members of the Pennsylvania
11 Utility Contractors Association have long promoted the
12 ideas presented within this testimony. The unique
13 perspective gained by our collective years of
14 experience within the public works, water and sewer
15 infrastructure market leads us to believe that our
16 ideas and suggestions can play a major role in
17 preparing Pennsylvania for the future.

18 However, since we do operate in the
19 public arena, they will remain just ideas and
20 suggestions unless the legislature takes action to
21 provide dedicated self-sustaining sources of funding,
22 to amend the sales tax code to allow full exemption,
23 to revise our outdated procurement code, to reform
24 inefficient processes such as the DBE program, to
25 adopt standardized contract documents and to provide

1 for contract administration education.

2 PUCA stands ready to provide any
3 assistance the task force desires as it works towards
4 its water and sewer infrastructure solutions that will
5 increase the health and safety of the Commonwealth's
6 residents and spur economic growth by allowing
7 Pennsylvania to collect, protect and deliver one of
8 its most precious resources, clean water.

9 Thank you for your time and attention.
10 If you wish, I would attempt to answer any questions
11 that anyone on the task force may have.

12 CHAIRMAN GEORGE:

13 I'm going to allow the two panelists if
14 they have one question, to feel free to ask it in that
15 we're running a little late. And I want to advise
16 that all the material in the gentleman's presentation
17 be picked up so that it can be afforded and continued
18 and should the steno want to look at it. I think your
19 presentation was fine. I think the problem that he
20 listed is universal. I think most are aware of it.

21 You made mention of the situation --- I'm
22 probably the longest serving member on PennVEST, and I
23 was on the Water Loan Board before the presence of
24 PennVEST when we couldn't give the money away. But
25 the situation is that things have changed. Society

1 has become more dependent and more responsible, and
2 we're going to try to do the best that we can. So I
3 thank you for your presentation, and I'm sure much of
4 it will be reviewed. Thank you very much.

5 MR. GREENLAND:

6 Thank you very much.

7 CHAIRMAN GEORGE:

8 Thank you. The next individual will be
9 the gentleman, Harry Campbell, the Chesapeake Bay
10 Foundation. Welcome, sir. Do you have your testimony
11 printed out?

12 MR. CAMPBELL:

13 I do, sir. And I apologize for not
14 submitting it prior to today's discussion.

15 CHAIRMAN GEORGE:

16 You may commence, sir.

17 MR. CAMPBELL:

18 Thank you so much, Chairman George and
19 the distinguished members of the Sustainable Water
20 Infrastructure Task Force. My name is Harry Campbell.
21 I am a scientist with the Pennsylvania Office of the
22 Chesapeake Bay Foundation in Harrisburg, Pennsylvania.
23 On behalf of the CBF and our over 200,000 members, I
24 would like to thank you for the opportunity to express
25 our views on important issues concerning water

1 infrastructure needs and funding in the State of
2 Pennsylvania.

3 My written comments here submitted for
4 your consideration include details that I will not
5 present verbally at this time.

6 CBF is the largest nonprofit organization
7 dedicated to the protection and restoration of the
8 Chesapeake Bay's tributaries and its resources. With
9 the support of nearly 200,000 members, we work to
10 ensure that policy and legislation and regulations are
11 protective of Pennsylvania's water including the
12 Chesapeake Bay.

13 Economically clean streams means greater
14 local economic activity to Pennsylvania's billion-
15 dollar recreation and tourism industry. When streams
16 are clean and farmers' animal herds are healthy and
17 protected, we see an increase in our economy. And
18 with nearly 80 percent of Pennsylvanians receiving
19 drinking water from surface sources like our rivers
20 and streams, cleaner water often means lower treatment
21 costs, costs that are passed on to the consumer.

22 While there are extensive infrastructure
23 needs throughout the Commonwealth, half of
24 Pennsylvania lies within the immediate and very
25 pressing needs throughout the Chesapeake Bay

1 watershed, that being the Susquehanna and Potomac
2 watersheds just a few miles from here, needs that must
3 be addressed by the end of 2010 or federal enforcement
4 action will be taken.

5 It is the position of the Chesapeake Bay
6 Foundation and many other representatives from the
7 government and private sector that significant state
8 funding is needed now in this communities within the
9 Susquehanna and Potomac watersheds so as not to
10 overburden them and shouldering them with the entire
11 cost of upgrading waste water treatment plants and
12 meeting agricultural load reductions mandated by the
13 federal government.

14 There have been numerous media reports in
15 the recent months focusing on the high cost to
16 municipal waste water treatment systems associated
17 with complying with what is known as Pennsylvania's
18 Chesapeake Bay Compliance Plan, previously known as
19 the Tributary Strategy. A legal challenge to some of
20 these issues has been filed by over 20 waste water
21 treatment plants.

22 The critical point that has received far
23 less attention in these permit limits is that they are
24 not arbitrary. They are clearly required by the
25 federal Clean Water Act. The Clean Water Act requires

1 that all point source discharge permits meet
2 downstream water quality standards even those
3 standards from another state. Simply stated, any
4 permit issued to a waste water treatment plant in
5 Pennsylvania's portion of the bay watershed and the
6 other bay watershed states that does not contain these
7 limits would be in violation of the Clean Water Act.

8 Pennsylvania's waste water treatment
9 plants contribute to water quality problems not only
10 in the bay but also to your own rivers and streams and
11 thus, therefore, are legally required to limit their
12 output of nitrogen and phosphorus pollution, the main
13 polluting agents affecting not only Maryland water
14 quality standards but also the bay, and of course, of
15 nearly 2,600 miles of Pennsylvania's own streams and
16 over 13,800 acres of our own lakes. Pennsylvania has
17 a legal obligation to this for the Chesapeake Bay and
18 our own streams.

19 The compliance plan in many ways achieves
20 both. It allocates nutrient load reductions to the
21 varied sources based on the proportion of their total
22 load. It is important to note that these nutrient
23 limits for treatment plants currently being
24 implemented reflect a consensus born of months of
25 discussions and negotiations by the regulated parties

1 as well as DEP and the Environmental Protection
2 Agency. In many similar scenarios when existing water
3 quality is so far below standards, the limit of
4 technology treatment is often mandated in such permits
5 for discharge. This level of pollution control would
6 substantially increase the current estimate of \$620 to
7 one billion dollar price tag for upgrading our waste
8 water treatment facilities and is a quite possible an
9 outcome of the current legislation (sic) that has been
10 launched by over 21 waste water treatment plant.

11 It is important to note that agriculture
12 is also responsible for the reduction of pollution
13 proportional to their contribution. Addressing this
14 pollution from this source is vastly different legally
15 and programmatically. It requires appropriate
16 technical financial assistance and quite frankly
17 strong working relationships with individual farmers.

18 The most recent cost estimates, as I
19 noted earlier, for point source compliance for
20 Pennsylvania within the Chesapeake Bay Watershed is
21 \$620 million to approximately \$1 billion. These
22 compliances must be met by the end of 2010. The cost
23 of farmers to comply with the required regulatory
24 reductions is approximately \$593 million.

25 Municipalities in Pennsylvania are

1 currently facing the full financial brunt of
2 constructing upgrades to their treatment plants or
3 buying nutrient credits through the trading program
4 necessary to meet these new and strict NPDES permit
5 limits.

6 Other states in the Chesapeake watershed
7 have provided significant cost share support to assist
8 upgrading waste water treatment facilities. Together,
9 Maryland and Virginia have contributed approximately
10 \$1.6 billion in financial assistance to their waste
11 water treatment upgrades in those states.

12 Pennsylvania on the other hand has contributed over
13 the last several years cumulatively less than \$40
14 million.

15 Water quality trading has been introduced
16 as a tool to assist meeting these pollution reduction
17 requirements. We are clearly still working out a
18 number of issues with this tool. And while it has
19 been a significant source of frustration, we need to
20 remember that Pennsylvania is breaking new ground on
21 this issue. No other jurisdiction in the Bay
22 Watershed has a robust and functional trading program
23 for non-point source and point sources. The question
24 in the short term is will it be more cost effective
25 for waste water treatment facilities to buy credits

1 rather than build new infrastructure.

2 Right now, the trading market is in its
3 infancy. Currently, the cost per pound of nitrogen
4 removed from capital investments like upgrades is
5 generally lower than the cost per pound removed
6 through the nutrient credit trading program. Over
7 time, this may change. In fact, Fairview Township in
8 York County recently signed a 15-year contract to buy
9 credit at \$5 per pound. Current estimates have been
10 from the trading program \$7 to \$10 per pound. As the
11 trading market matures, the cost competitiveness may
12 also improve. But given the high burdens on
13 municipalities and farmers, both sectors with limited
14 financial resources and significant regulatory
15 obligations, CBF believes that the Commonwealth must
16 provide funding to help achieve Clean Water Act
17 compliance.

18 Recently, a coalition represented by the
19 Chesapeake Bay Foundation, the Pennsylvania Municipal
20 Authorities Association, the Pennsylvania Farm Bureau,
21 the Pennsylvania Association of Conservation Districts
22 and the Pennsylvania Builders Association called upon
23 the state legislature and the Governor to enact in
24 this year's budget a significant down payment towards
25 reducing pollution in our streams and meeting our

1 obligations under the Clean Water Act to achieve
2 Chesapeake Bay water quality standards. Many
3 organizations have signed on, including those that I
4 just mentioned, in calling for this funding.

5 The proposal also calls for modifications
6 in the existing trading program that promise to offer
7 more flexibility and reliability particularly to the
8 building community. Called the Pennsylvania Fair
9 Share for Clean Water Plan it would in its first year
10 invest \$170 million towards half of the total cost of
11 waste water treatment plant upgrades and farm
12 conservation practices and services needed to meet our
13 looming Chesapeake Bay mandates.

14 Specifically for fiscal year 2008-'09,
15 \$100 million to finance waste water treatment plant
16 upgrades, \$50 million to help farmers install
17 conservation practices, \$15 million for cost share
18 funding statewide as well as increasing the tax credit
19 program, Resource Enhancement and Protection Act,
20 REAP, to \$35 million, \$10 million for county
21 conservation districts to expand assistance to farmers
22 statewide and \$10 million to restore cuts in farmer
23 services to the Pennsylvania Department of
24 Agriculture.

25 In total over seven years, \$500 million

1 in state funding would be invested in a 50/50
2 state/local partnership to meet waste water treatment
3 plant upgrade requirements. There are also
4 significant federal-level opportunities that should
5 not be ignored. Environmental and agricultural
6 partners alike worked with the Pennsylvania
7 Congressional delegation to secure additional funding
8 programs through the recently passed and vetoed
9 federal Farm Bill. As you may have heard, this effort
10 has secured an additional \$440 million for Bay states
11 including Pennsylvania for the next five years.

12 Needless to say, delaying the
13 implementation of the compliance plan is something
14 that Pennsylvania can no longer afford. Simply put
15 its implementation by the end of 2000 (sic) is
16 required by federal law. Failing to implement that by
17 that deadline leaves us in a significant bind, both
18 financially and legally.

19 It is essential as we discuss these
20 reductions in pollution to remember that Pennsylvania
21 has nearly 16,000 miles of streams that do not meet
22 Clean Water Act requirements for fishable and
23 drinkable streams. Pennsylvania will be the first to
24 benefit from making the investments that I have
25 outlaid here in meeting our Chesapeake Bay

1 obligations, because it will result in our rivers and
2 streams becoming cleaner first and foremost. When we
3 have clean streams, we have cleaner and cheaper
4 drinking water, improved recreational opportunities
5 and increased quality of life.

6 Quick action by passing the Fair Share
7 for Clean Water Plan for this coming budget is
8 essential as the Commonwealth continues working to
9 meet its Chesapeake Bay obligations and to restore
10 Pennsylvania's rivers and streams. I thank you for
11 the opportunity to submit these comments on this
12 issue. Our staff and myself are happy to answer any
13 questions that you would have now or at a later date.
14 Thank you.

15 CHAIRMAN GEORGE:

16 Would there be a question for ---? No
17 questions. We thank you for your presentation.

18 The next presenter will be Mr. Hood. You
19 may sit right where you are.

20 MR. HOOD:

21 I do have copies of the presentation.
22 I'm actually wearing three hats today. I'm the
23 alternate for George Crum on the task force. George
24 couldn't make it today. I'm also here to give
25 testimony, as you see, on behalf of the Pennsylvania

1 Rural Water Association. And I do sit on the
2 Legislative and Regulatory Work Group. And, Tim, if
3 you --- I imagine you have a representative on there.
4 Yes. And we'll look for your efforts coming forward.

5 Honorable Chairman, members of the
6 Sustainable Infrastructure Task Force, citizens of the
7 Commonwealth, I appreciate this opportunity to address
8 this body concerning the significant challenge we face
9 in building, financing and operating public water
10 infrastructure in Pennsylvania. The Pennsylvania
11 Rural Water Association is an association of over 950
12 water and waste water systems in Pennsylvania with 237
13 water utility vendors who come together in an
14 association to assist each other with technical
15 assistance, training, regulatory updates and
16 legislative representation.

17 Just as our Commonwealth is the home of
18 many divisions of local government, we are also the
19 home to many water and waste water systems. Our state
20 has near 2,100 community water systems, almost 1,200
21 non-transient non-community systems. We also have
22 over 4,200 total NPDES members, 1,076 industrial
23 plants, 972 municipal waste water plants and 2,110
24 non-municipal. We also have over 13,000 client ID
25 numbers. These are individuals certified to operate

1 water and waste water systems. Many of our systems
2 have been working for years to keep up with the
3 increased demand in new regulations.

4 We believe that it's important that you
5 know that small and medium communities can manage
6 their own water and waste water systems. This is
7 something you may not hear from many providers here.
8 But as the Pennsylvania Rural Water Association, we
9 believe that these communities can stay in compliance.
10 Yes, it's true there is an economy of scale and a
11 place for regionalization. But you need to know that
12 small and medium communities can manage their systems
13 and stay in compliance.

14 And let's not forget the benefit to the
15 community of having citizens sit on the water board
16 and be responsible for the wellbeing of their
17 neighbors. This is an honored tradition of our
18 nation, and there's something very valuable about
19 citizens coming together maybe the second Tuesday of
20 every month at the township or borough building or
21 fire hall and addressing the needs of their community.

22 The subject of this meeting is
23 sustainable infrastructure, and a well-trained and
24 stable staff of certified water and waste water
25 treatment plant operators, managers and board members

1 are a critical part of that sustainable
2 infrastructure. The care and responsibility of a
3 conscientious trained operator, a knowledgeable
4 manager and an educated and involved board can go far
5 in reaching our goal.

6 Our association works very hard to
7 provide the training and technical assistance that
8 water and waste water systems need to stay in
9 compliance and to keep their rates at an affordable
10 level. Of course, affordable rates are not code for
11 low rates. Very low water and waste water rates are a
12 trap for any system. The day will come when upgrades
13 or replacements are needed, and if that system does
14 not plan for that day, they will be faced with a major
15 challenge that leaves them with very poor choices.

16 This past year the Pennsylvania Rural
17 Water Association registered 5,413 water and waste
18 water treatment plant operator students for training,
19 sponsored 12 certification exams and made 2,203
20 technical assistance visits. One challenge we notice
21 is that the position of water operator does not carry
22 the respect and importance it deserves, and I believe
23 you heard Dana talk about this earlier. A pharmacist
24 or other professional goes to school for many years
25 and is provided an adequate salary to provide us with

1 medicines that we ingest. And yet, many systems
2 attempt to pay their operator low wages with limited
3 benefits, and this is the person responsible for the
4 safety of every glass of water you and your family
5 drink. There's a great deal of science involved in
6 water and waste water treatment.

7 We mentioned the importance of drinking
8 water operator, but let's not forget the waste
9 treatment plant operator. These are the men and women
10 responsible for the purity of the water returned to
11 the streams of our Commonwealth, and many of these
12 streams are sources of water for our drinking water
13 plants. We would make a plea for communities and
14 boards to provide these operators with a salary and
15 benefits commensurate with their responsibility.

16 To help meet these needs and particularly
17 the need for qualified treatment plant operators, our
18 association is turning our attention to workforce
19 development. It is a well-known fact that a large
20 percentage of our present treatment plant operators
21 will be retiring in the next decade. What can we do
22 to attract young people to this profession? I know
23 the Department of Environmental Protection is aware of
24 this challenge and is working to come up with
25 solutions. We as an association have developed some

1 programs that we believe will go far in communicating
2 the importance of these positions and informing the
3 general public of the professionalism required.

4 For example, our association has begun a
5 system manager training track. We presently have 70
6 students registered in the management certification
7 program. This program is designed to prepare managers
8 and future managers to effectively deal with the
9 complexity of managing a water or waste water system.

10 In conclusion, I want to thank you for
11 the opportunity to address these issues today. And if
12 I may repeat one very critical part of my message,
13 funding is, of course, important and we know that.
14 And that's a big part of why the Governor has called
15 us here today. But the communities of our
16 Commonwealth can operate and manage their local water
17 and waste water systems in an efficient and effective
18 manner.

19 Let's not just use the broad brush of
20 regionalization and more funding to attempt to solve
21 these challenges. Let's provide quality training,
22 technical assistance, support and respect for our
23 neighbors who work each day to provide us these
24 essential services. Thank you.

25 CHAIRMAN GEORGE:

1 I thank the gentleman, Mr. Hood. The
2 next presenter will be the gentleman, Matt Milliron
3 from the Centre County Planning.

4 MR. MILLIRON:

5 No, I do not have written testimony.

6 CHAIRMAN GEORGE:

7 Then if you can, just give us your
8 opinion.

9 MR. MILLIRON:

10 Again, thanks for giving me the
11 opportunity to testify. My background,
12 professionally, I work as a senior planner in the
13 Centre County Planning Office, important not to be
14 confused with the 800-pound gorilla that we have in
15 Centre County known as State College Borough
16 associated with Penn State in the Centre region. The
17 Centre County Planning Office does very little with
18 that portion of Centre County. We work primarily with
19 the rural outlying areas within the county.

20 I work in that office administering a
21 small water system assistance program and I also
22 administer Centre County's Community Development Block
23 Program. Personally, currently I'm a licensed water
24 operator and I work as a circuit rider for six small
25 water systems. And by small, I think the average

1 customer size is 45 homes.

2 John, I'd like to retire within the next
3 ten years. I'm not going to. I'm going to be here
4 longer. I got involved in drinking water system
5 management in 1978, so I'm coming up on 30 years. I
6 served 20 years on the board of a small water system.
7 We had 350 customers.

8 The comments that I prepared, not
9 understanding completely what this hearing was about,
10 but as I listened to the previous presenters and
11 listened to the opening presentation, I think all of
12 my comments tie in nicely with what has been
13 presented.

14 The first comment --- and these are in
15 particular order of importance. Again, I'm not going
16 to say anything here that probably we haven't all
17 thought in the past. When we see new federal or state
18 regulations coming on our drinking water systems
19 without corresponding funding is what makes it
20 difficult for our small systems to maintain
21 compliance. I feel zero percent loans or very low
22 interest loan is what is needed to continue to fund
23 the infrastructure needs that we have. In Centre
24 County, we did a needs assessment in 2006, and it was
25 well over a hundred million dollars.

1 Bottom line of this, I think we need to,
2 as a state, look at additional funding into PennVEST,
3 and if that means another statewide bond issue as what
4 was initially done back in the early '80s I think when
5 PennVEST was first created, we as a taxpayer was asked
6 to vote on a referendum as to whether --- isn't that
7 how it started, Mr. George? We had to vote on a
8 referendum as to allow the state to float this bond
9 issue. We may need to do that again.

10 We're seeing and all counties are seeing
11 and all states are seeing a decreasing funding from
12 the US Department of HUD for the CDBG program, the
13 community development block grants. These grants
14 primarily in Centre County, and I think in many
15 counties in Pennsylvania, are used for water and waste
16 water infrastructure. You're not going to have any
17 economic development in our rural areas without the
18 proper base, without the infrastructure. These funds
19 have overwhelming federal regulations involved with
20 them, with the program.

21 The CDBG funds allow up to 18 percent to
22 administer that grant. Now, think about that.
23 Eighteen (18) percent to simply administer it. That's
24 --- that tells you there's something that needs to be
25 relooked at with that program. Centre County

1 oftentimes does not take the full 18 percent. We as
2 our commissioners allow us to eat some of those costs,
3 if you will, or spread the costs of the salaries of
4 those involved over, you know, our general tax base
5 and then allow more of the funding that we get to go
6 into projects. In 2008, Centre County had about
7 \$330,000 in CDBG funds to allot. We had about close
8 to a million, \$900-and-some thousands in requests.
9 These funds generally go to the smallest of the small,
10 the lowest of the low.

11 We also have a concern with local
12 political leaders on the local level, their lack of
13 understanding of drinking water rules and regulations,
14 very similar to what Mr. Hood just explained. We can
15 train our operators and we have a very good program in
16 Pennsylvania now for training our water and waste
17 water operators. We also think there needs to be an
18 education or basic training for volunteers that serve
19 on the local boards, councils, the township
20 supervisors. I feel the state should encourage,
21 require training, and the way to do that is through a
22 payment for attendance, very similar to what we do in
23 payment for our water operators to attend training.
24 You can read in any of our local papers, the
25 Clearfield Progress, the Lock Haven Express, The

1 Centre Daily Times, for local township and board
2 meetings. And you can have township supervisors
3 actually arguing or fighting against their own boards
4 that they have appointed, again on a volunteer basis
5 to run this system. They may not like those rules and
6 regs that have to be in place, that they're actually
7 fighting with them. There needs to be training all
8 around.

9 There's also support --- Pennsylvania's
10 one of the few states that don't have any statewide
11 rules or guidance on private water well construction
12 standards, and that relates I think also to a proposal
13 that was around a year or two ago licensing the
14 certification of private water well drillers. Water
15 supply --- groundwater is groundwater is groundwater
16 no matter who's tapping into it. If you're drilling a
17 hole into the earth for --- to tap in to let's say a
18 pristine source of groundwater and you do it properly,
19 you're going to have a good well to drink from. A
20 private water well driller can go out there and
21 perform that same function and basically make a mess.

22 We can spend a little money now to
23 educate, train and certify this industry or spend a
24 lot of money, all of us as taxpayers, later on to
25 clean up the mess that they're going to make. Just

1 because you have the money to go out and buy a drill
2 rig or you've worked for years in the mining industry
3 drilling holes in the earth for shooting for blasting,
4 does it make you a licensed water well driller? We
5 need to protect that. We need to recognize it as a
6 threat.

7 Somewhat related to that, what we're
8 seeing in Centre County, there's a dramatic increase
9 in gas drilling activity. There's very little
10 regulation by DEP's Bureau of Oil and Gas. There's
11 more regulation on a water well driller. Again, I go
12 back to a hole in the earth is a hole in the earth.
13 If I'm drilling a water well, I have a stack of
14 regulations this thick I got to comply with. If I'm
15 drilling a gas well, it's about four or five pages.
16 Again, very little money could be spent in some few
17 standards in this industry to again protect our
18 drinking water supplies.

19 We've had two instances in Centre County
20 where public water supplies have been negatively
21 affected by gas well drilling. And I'll get back to
22 gas well drilling in a second.

23 We support the idea of the right sizing
24 or the regionalization. And again, not that
25 regionalization is for everybody. There could be

1 opportunities where we could take advantages of
2 economies of scale. Local officials --- we are
3 addicted to our local ownership, but sometimes that
4 can run into problems where there could be significant
5 savings in cooperation, cooperative agreements,
6 regionalization agreements or whatever you want to
7 call them. We do not need to lose that local control.
8 That can still be maintained, but we must recognize
9 that there are times when we can take advantages of
10 economies of scale and have some cost savings.

11 My last comment, in lieu of expecting
12 additional funding from the feds, which I don't think
13 is going to come. I think their feds have their hands
14 full with all of the problems that are going on right
15 now. I think Pennsylvania has to take responsibility
16 for its needs for this funding shortfall. Again, and
17 I said this before, this could be through another bond
18 issue that gets administered through PennVEST. I
19 think PennVEST has done an excellent job over the last
20 20-some years it's been in business. I heard talk
21 earlier about some kind of statewide funding tax
22 initiative that I think would be an excellent idea to
23 try to fund the shortfall that we're going to have.

24 And my last idea, going back to gas
25 drilling activity, Pennsylvania is one of the few

1 states that does not tax the gas that's exported from
2 this state. We do not tax it locally. I'm not aware
3 that we tax it on a state level. I think over the
4 next 20 years we're going to see billions of dollars
5 in this resource leaving the state. Who here doesn't
6 think that maybe each time that you fill up your tank
7 of gas there isn't a penny or two cents or three cents
8 goes to some school district in Texas or goes into the
9 state coffers in Alaska.

10 I think Pennsylvania is missing out on an
11 opportunity that a small amount of tax could generate
12 of a lot of revenue, regulate the industry better, not
13 prohibit it. I don't want anybody leaving here today
14 saying that there was some guy that testified that
15 he's against gas drilling in Pennsylvania. Quite the
16 contrary, I'm actually looking at some personal
17 property that I would like to get drilled. I
18 encourage gas drilling activity. I encourage
19 homegrown energy. I just encourage a responsible way
20 that it's done. Again, I think Pennsylvania needs to
21 take a serious look that there might be a source of
22 revenue to correct this problem. Thank you.

23 CHAIRMAN GEORGE:

24 The gentleman concluded. We thank the
25 gentleman for taking time. I've been informed that

1 the gentleman representing AARP, the gentleman, Mr.
2 Fye (phonetic) had to leave. I'm remiss in not
3 advising that the entire board of the Clearfield
4 County Commissioners are on hand. If there are no
5 other presenters, let me say that taking your valuable
6 time to address what will be taken back to the entire
7 entity is very important.

8 Some of the things that were mentioned
9 will be considered, but we continue to do,
10 unfortunately what is almost a rule of thumb where
11 local government blames it on county government and
12 county government blames it on state government and
13 naturally we blame it on the federal government.

14 The truth of the matter is to the last
15 presenter there's been \$80 million already cut from
16 the federal program, and the situation is that
17 PennVEST doesn't have that money. And we're hopeful
18 that what can come out of this will be a multitude and
19 a mix of matters such as some regionalization where
20 some of these smaller communities will have to either
21 regionalize or go to private utilities and things of
22 this nature.

23 The gentleman, Mr. Greenland, was
24 appropriate in his presentation in that there's many
25 things that can be blamed on a lot of these so-called

1 problems or responsibility, but if we work at this
2 very strenuously and very diligently and with an open
3 mind, I'm hopeful that gentlemen like these will come
4 up with some appropriate answers. We know it's money,
5 but we also know there is nothing more important to
6 any community, especially for those of us in the rural
7 communities, where without water we don't build home,
8 we don't bring in businesses, we don't do anything
9 that we used to do 50 or 60 years ago when water was
10 completely ample and you could reach anywhere and get
11 it.

12 So if you have anything to say, say it
13 directly to your legislators. Write to the panel down
14 in Harrisburg. Make sure they know exactly what your
15 concern is. And to you, sir, I --- oh, I want to
16 remind you that we have a member of the PennVEST board
17 that goes around to the communities and provides a
18 great amount of help, also to a gentleman serving the
19 citizens from the DEP in Williamsport. And so I think
20 this is a unified, very well thought-out type of
21 meeting.

22 There'll be other meetings I'm made aware
23 of. So should you have someone in the areas, there
24 will be a meeting on the 27th in Pittstown. There
25 will be a meeting on the 28th at Bethlehem,

1 Pennsylvania. They'll be a meeting on the 29th at Red
2 Lion. And we thank you, Dana, for your time and your
3 effort and to all of you. And if there's no other
4 business, then I would deem that this meeting is
5 adjourned. Thank you all for coming.

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PUBLIC HEARING CONCLUDED AT 2:45 P.M.

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