2017
FEDERAL ISSUES PAPER

Maine Municipal Association

Rhode Island League of Cities and Towns

NHMA
New Hampshire Municipal Association
Est. 1941

Massachusetts Municipal Association

Vermont League of Cities & Towns

NYCOM
New York State Conference of Mayors & Municipal Officials

Connecticut Conference of Municipalities

Northeast Municipal Leagues & Associations

Table of Contents

Introduction: Investing in the Northeast

The 2017 edition of the Federal Issues Paper focuses on how federal level investments in infrastructure-based programs and policies favorably impact the nearly 2,500 cities, towns and villages that make up the northeast states of Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont. Specifically, this edition of the paper focuses on:

1. Federal funding for the Community Development Block Grant program;
2. The preservation of tax exempt status for municipal bonds; and
3. Federal support for infrastructure, including transportation, drinking water, stormwater and wastewater facilities, and broadband capacity.

Provided in the pages that follow are descriptions of how these three federal-level programs and policies interface to provide much needed financial assistance to communities in the northeastern corner of the country.

Of the many federal programs providing aid to states and municipalities, the Community Development Block Grant (CDBG) program is featured in this report. CDBG is one of the few federal programs available to communities of all populations, allowing for investments and improvements targeting the infrastructure needs in low-to-moderate income areas of the six New England states and New York. Although a widely used program, a chart tracking state-by-state CDBG allocations paints a troubling picture. Over the past decade, federal level financial support for this program has waned.

The importance of retaining the tax-exempt status for municipal bonds underscores the investment-focused theme of this year's effort. Not only does this exempt status enable communities to market public infrastructure projects to a diverse group of investors, it ensures that every federal dollar allocated to these programs and distributed to the states yields the highest return possible.

This edition of the Federal Issues Paper concludes with a unified call for ongoing federal level investment in infrastructure projects. Programs focused on improving aging roads, bridges, water and wastewater facilities, as well as expanding broadband internet connectivity, is of tantamount importance to the economic vitality of the Northeast Region. Salted among the introductive narratives, charts and graphs are descriptions of how federal-level investments are positively impacting communities.

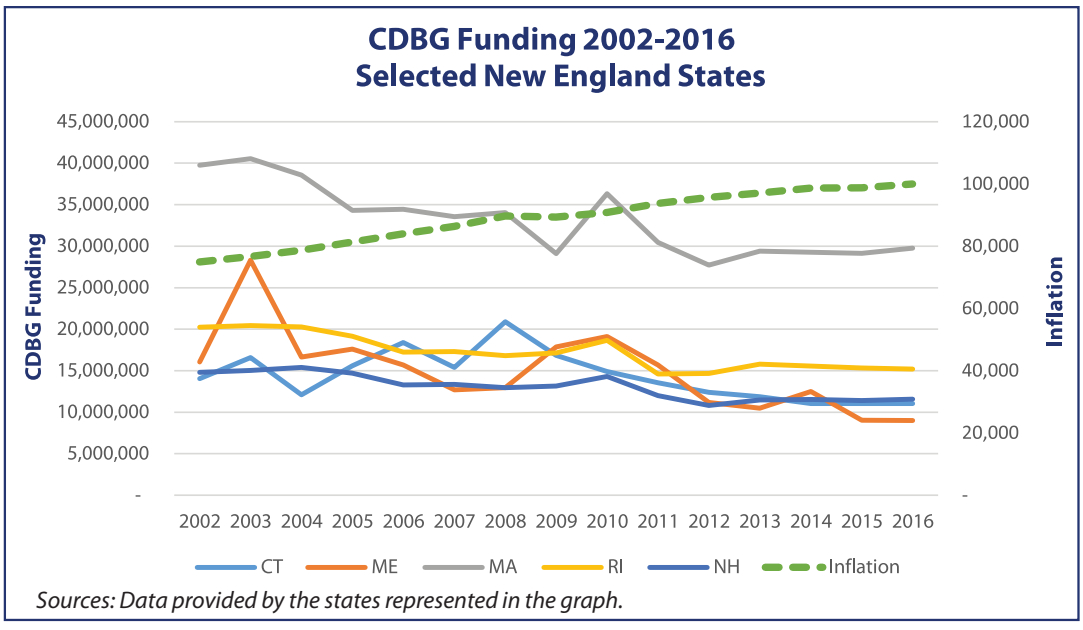
On behalf of the staff from the Northeast Region's municipal leagues and associations, thank you for your continued support for these important municipal programs and policies.

Local Government Infrastructure
A Program: Community Development Block Grants

REQUEST: Municipal officials are calling on members of the Northeast Region's Congressional Delegation to advocate for continued federal level support for the Community Development Block Grant (CDBG) program.

In 1974, Congress passed the Housing and Community Development Act, creating the Community Development Block Grant Program. The CDBG Program was administered by the Department of Housing and Urban Development (HUD) until 1983, when the individual states took control of the Small Cities Program, which is now the CDBG Program. The primary purpose of the CDBG program is the development of viable communities by providing decent housing, suitable living environments, and expanding economic opportunities, principally for low and moderate income people. All eligible municipalities and counties can apply for up to $1 million in CDBG funds per year – up to $500,000 of Housing and Public Facilities funding and $500,000 in Economic Development funds. There are, additionally, in each of the New England states "entitlement communities" which get money directly from HUD as a special set-aside.

Since 2002, $1.4 billion in CDBG funding has been invested in the New England states of Connecticut, Maine, Massachusetts, New Hampshire and Rhode Island. However, as shown in the chart below, over the last five years the program has been essentially flat-funded, resulting in a reduction in the number and scope of projects that can be funded at the local level. For example, the same housing rehabilitation project that cost a community $75,000 in 2002, would cost $100,000 in 2016. Taking this inflation-based analysis back nearly 30 years, a housing rehabilitation project of $42,500 in 1983 would cost a community $100,000 today.



Sources: Data provided by the states represented in the graph.

Despite the reductions in federal level support for the program, CDBG funds have made sizable and positive impacts throughout the northeast region of the country. What follows are examples of projects that communities in Connecticut, Massachusetts and New Hampshire will implement and have implemented with CDBG funds. Municipal officials from Maine provide examples, as well as a few suggestions for making improvements in the way the program is administered.

Connecticut. Twenty communities in the State of Connecticut will receive nearly $13 million in CDBG funds in the upcoming year. Those funds will be used to rehabilitate housing units, improve public safety systems in elderly housing developments and implement accessibility-related improvements.

Housing Rehabilitation Program. The City of Ansonia (population 18,854) will use $400,000 in Housing Rehabilitation Program funding to help low and moderate income owners rehabilitate their homes. A total of 10 housing units are anticipated to be rehabilitated, including roof and window replacements, heating system upgrades, lead paint and asbestos removal and electrical and building code upgrades.

Food Bank Program. The Town of Ashford (population 4,251) will receive $57,000 to administer a food bank program and distribute boxes of food on a monthly basis to the community's lower income families. The program currently has 37 households receiving food distributions.

Elderly Housing Project Improvements. Nearly $600,000 in fire safety improvements will be made at the Park Hill Elderly Housing project located in East Windsor (population 11,400). Project improvements include the replacement of a 40-year-old, non-compliant fire alarm system with a new state of the art centralized call-for-aid system. The new system will include emergency service devices for the hearing impaired. The project also includes a complete renovation of the laundry room to meet ADA accessibility guidelines.

Trumbull Housing Authority. With $800,000 in federal assistance, the Trumbull Housing Authority will install ductless split heat pumps in each of the 186 units at the Stern Village Senior Housing Complex. The pumps will make life more comfortable for residents by providing both heating and air conditioning and will significantly reduce monthly electricity costs for low and moderate income residents.

Voluntown Housing Authority. $700,000 will be invested to make necessary public safety improvements to the Voluntown Housing Authority's 20-unit apartment complex. The project will include upgrades to the fire alarm system.

Massachusetts. In the last seven years, 44% of the eligible communities in Massachusetts have received CDBG grants of some kind. $237 million has been distributed across 321 grants awarded, with an average value per grant of $741,000. The average population of a grant community is 10,213. These smaller communities are particularly dependent on CDBG grants for larger projects. CDBG grants have also been an invaluable tool in combatting the housing shortage in the Commonwealth. Over the same seven-year period, CDBG grants have rehabilitated over 3,000 housing units and repaired or rehabilitated more than 300,000 linear feet of public infrastructure.

In 2016, the state awarded $28 million in grants. Some examples include:

The City of Everett (population 46,050) received $825,000 for public infrastructure improvements, housing rehabilitation, and homelessness prevention programs. This is the second year in a row that Everett received a grant award. In 2015, the city used the funds to perform a number of public services, including rehabilitation work on Florence Street Park and providing assistance to local nonprofit groups.

The Cape Cod communities of Truro, Provincetown and Wellfleet (population 2,007, 2,968, and 2,749, respectively) received a combined total of $756,952 to rehabilitate 12 housing units and to provide childcare vouchers for 33 families. Cape Cod community leaders stress the importance of these grants in addressing the housing issues facing their communities.

The City of West Springfield (population 28,693) put its $825,000 to use on improvements to its Memorial Playground, rehabilitation assistance for 11 units of housing, code enforcement, Boys and Girls Club facility improvements, and support for services related to family self-sufficiency and homebuyer programs, camp scholarships and funding for the city's Head Start program.

In the Berkshires, North Adams (population 13,263) received $825,000. Local officials were able to use portions

of the grant money to demolish a dilapidated, abandoned apartment building that was in immediate danger of collapsing. The Mayor praised the CDBG grant, crediting those funds with staving off a potential future disaster. The city also rehabilitated a community center.

New Hampshire. In New Hampshire CDBG funding is provided directly from HUD to the state's Community Development Finance Authority (CDFA), which administers the funds for non-entitlement municipalities. In calendar year 2016, the HUD allocation to CDFA for the non-entitlement municipalities was $8.1 million. Of that total, $4.8 million was used to fund housing and public facilities grants provided to 11 communities, $2.75 million on economic development programs in four communities, $350,000 to make emergency repairs to a portion of the Town of Whitefield's water system, and $60,000 in planning grant awards to the communities of Berlin, Laconia, Keene and Enfield. What follows is a sampling of the housing and economic development projects.

Housing and Public Facilities Grants. The Town of Littleton (population 5,912) received $500,000 to support the upgrade of its aging sewer and stormwater infrastructure in the River District. The funds will assist Littleton in resolving substandard wastewater conditions, improve living conditions for area residents and expand employment opportunities along the towns' riverfront.

The Town of Farmington (population 6,832) will sub-grant $500,000 to the Community Action Program (CAP) of Strafford County to make critical renovations at the Farmington Childcare Center. Funds will support interior and exterior improvements, including energy efficiency upgrades, which will enable the childcare center to increase its capacity while maintaining the ability to serve low and moderate income families.

The Laconia Housing Authority will invest $482,500 in energy improvements to the Scott & Williams property. The property, which includes a 60-unit apartment complex, provides affordable housing and health services to a majority of low and moderate income individuals and families. The investment in energy efficiency upgrades is expected to deliver an annual dollar savings of $67,000 in electricity and natural gas costs.

The Concord Area Trust for Community Housing (CATCH) in Franklin (population 8,450) will use $500,000 to renovate the vacant Riverbend Mill property into 45 units of affordable housing. The housing units will provide permanently affordable homes for approximately 80-100 adults and children, all of whom are from of low and moderate income households.

The capital City of Concord (population 42,620), will invest $200,000 of CDBG funds in the Merrimack Valley Day Care Service (MVDCS) allowing for upgrades to address health, safety and licensing requirements for its childcare center. MVDCS provides quality, affordable childcare with more than 80% of those served coming from low and moderate income households.

Economic Development Grants. The City of Lebanon (13,579 population) received a $500,000 grant on behalf of The Community College System of New Hampshire - River Valley Community College (RVCC) for the purpose of developing a Center for Business and Industry Training at the former Lebanon College Building. Funds will renovate and transform the building into a hub for workforce development and business and industry training.

The City of Berlin (population 9,367) received a $500,000 grant on behalf of the Coos Economic Development Corporation (CEDC). The funds will be used to capitalize a loan to Capone Iron to purchase the necessary machinery and equipment to run a state of the art steel fabrication operation. As a result of the investment, Capone Iron will create 25 new, full-time jobs. A minimum of 60 percent of those positions will be available to individuals from low to moderate income households.

The Town of Durham (population 2,658) received $500,000 on behalf of the Strafford Economic Development Corporation (SEDC) to provide a loan to Harmony on the Bay, LLC. The loan will assist Harmony Homes in acquiring the property necessary to build a new, 60-bed assisted living facility which will provide affordable

memory care to its residents. The development of the new facility will result in 25 new full-time jobs, 15 of which will be available to low and moderate income individuals.

Maine. Across the State of Maine, it is clear federal support for the CDBG program has yielded widespread and important results. In the City of Eastport (population 1,266) community development block grants over the last decade have helped revitalize the downtown, upgrade and repair the wastewater treatment plant, and construct a fire station.

In the past three years, the Mars Hill Utility District used federal funds to improve its water and sewer mains, but it was not enough to get the job done. Without further federal investment in this District's deteriorating treatment plant, as well as the drinking water storage tanks and additional water and sewer main replacements, the initial investments will not yield the intended results.

For the Town of Stockton Springs (population 1,608), the Safer Routes to Schools grants have helped replace, upgrade, and install sidewalks along almost a mile of roads leading to the elementary school.

The state's largest community, Portland (population 66,881), has utilized CDBG funding for a variety of purposes, including funding for new social service programs, making infrastructure improvement in eligible areas, and planning activities that benefit low and moderate income residents.

The Town of Windham (population 17,816) has used relatively small amounts of federal funding, passed through the Cumberland County CDBG program, to help plan for and implement smaller scale infrastructure improvements. Although the projects make a difference in the day-to-day lives of residents, the amount of grant funding limits the scope of the investment. If more funds were made available, the town would partner with the property owners to rehabilitate an old mill building into a mixed use development, providing much needed low-to-moderate income rental housing.

In terms of administrative changes, the simplification of grant applications would help even-out Department of Economic and Community Development's distributions. Larger cities may have grant writers, while smaller towns with shoe-string staff perceive they are at a disadvantage. A less restrictive grant process, with fewer hoops to jump through would be welcomed. Some towns would find it helpful if there was a way to ease the impact of a community's wealth in the process of awarding grants. Relatively small, rural towns like Baileyville (population 1,456) and Whitneyville (population 211), are sometimes told upon applying that they are "too rich." Municipal officials from Portland believe that the reporting requirements and interpretation of the regulations have made it more difficult to utilize the funds. It would be more appropriate to report on CDBG project results in a holistic manner, rather than having to detail quantitative results for projects that are by nature qualitative.

That being said, municipal officials from all the New England states acknowledge that if not for federal level investment in CDBG programs, many infrastructure improvements, economic development and housing rehabilitation programs would not move forward.

Local Government Infrastructure
A Policy: Tax-Exempt Status of Municipal Bonds

REQUEST: Municipal officials are calling on members of the Northeast Region's Congressional Delegation to oppose efforts to cap or eliminate the tax exemption status of municipal bonds.

Tax-exempt bonds are the primary source of public financing used to pay for roads, bridges, drinking water and wastewater facilities, schools, parks and recreation areas, airports, transit systems, correctional facilities, affordable housing and more. This tax exemption, in effect for over 100 years, was negotiated as part of the 16th Amendment to the Constitution which authorized enactment of a federal income tax. Through this exemption the federal government has for more than a century provided indirect financial support to states and local governments for the development and maintenance of essential public facilities and services, which cannot be practically financed by other means.

If Congress repealed or capped this exemption, there would be an immediate increase of up to two percentage points for the interest costs on all new issuances of municipal bonds due to investors demanding higher interest rates to compensate for the federal tax on that interest income. Since tax-exempt municipal bonds are issued primarily for necessary infrastructure and capital projects, the result of this would be either a reduction of infrastructure-related capital improvement spending by our cities, towns, schools and utility districts, or significant increases in the costs of these projects. Such increases will be borne by our citizens through higher state and local taxes, higher utility rates, and higher user fees.

According to data gathered by the National League of Cities (NLC), between 2003 and 2012, state and local governments nationwide financed over $1.65 trillion in infrastructure improvements. Over that 10-year period, $514 billion was used on school projects, $258 billion to fund water and sewer infrastructure, $178 billion on roads and $106 billion on mass transit. If not for the exempt status, the cost of issuing these bonds would have increased by $495 billion.

Maine. In 2016, according to the Maine Municipal Bond Bank, nearly $44 million in bonds with a 20-year repayment term were issued to fund public infrastructure projects. Without the exempt status bond financing costs would have increased by $1.8 million. The chart on the right shows the financing impact on 14 municipal infrastructure projects bonded in 2016.

Massachusetts. The Massachusetts Municipal Association uses a conservative $3 billion amount for long-term borrowing by cities and towns in using tax-exempt bonds and notes. Under this scenario, repealing the tax-exempt debt authority could add approximately 80 basis points to an issuance, which would translate into $225 million in additional costs to

2016 Bond Issuance - 20 Year Repayment Term

	Amount Financed With Exemption	Increase in Financing Costs Without Exemption
Belfast	2,150,000	86,000
Brewer	3,180,000	127,200
Castine	350,000	14,000
Kittery	275,000	11,000
Long Island	485,590	19,424
Northport	3,000,000	120,000
Rockland	1,600,000	64,000
Rockport	1,397,750	55,910
Windham	1,668,000	66,720
MSAD #72 (Fryeburg area)	19,341,759	773,670
Bangor Water District	1,200,000	48,000
Ogunquit Sewer District	1,999,421	79,977
Paris Utilities District	6,664,301	266,572
Richmond Utilities District	596,431	23,857
Total	**43,908,252**	**1,756,330**

Source: Maine Municipal Bond Bank

local taxpayers in Massachusetts over the life of a 20-year bond.

If tax-exempt financing is repealed, the annual burden on all Massachusetts taxpayers at the end of a 20-year amortization could be $525 million, a massive cost increase. Even a partial repeal, such as the previously proposed 28 percent tax-benefit cap, could result in an annual burden on Massachusetts cities and towns of more than $200 million.

The Massachusetts School Building Authority and the Clean Water Trust use tax-exempt bonds to make billions of dollars in infrastructure improvements.

For example, the Massachusetts School Building Authority (MSBA) is expected to oversee $1 billion in school construction projects this year. About $800 million will be funded from state and local bond proceeds with the balance from current state sales tax collections dedicated to school building projects. More than half of the bond-financed portions of projects will be locally issued. Federal tax law changes that resulted in higher interest rates on municipal bonds would increase the cost of school building projects that would lead to smaller projects or delays. Postponements of necessary capital projects result in significantly higher costs.

The Massachusetts Clean Water Trust (MCWT) announced in January 2017 that 70 projects across the state were eligible to receive $580 million in State Revolving Fund (SRF) 2 percent interest rate loans to fund construction and planning projects. The projects include 50 clean water initiatives and 20 drinking water projects. The SRF provides state-subsidized interest rate loans to improve or protect water quality. Based in part on state appropriations, the program provides a standard loan subsidy of 2 percent with loan forgiveness provided in certain circumstances. Changes in federal tax law could require an additional appropriation in the state budget in order to provide the same level of loan subsidy.

New Hampshire. In June 2016, the New Hampshire Municipal Bond Bank issued $46 million in tax-exempt bonds on behalf of 18 local government entities across the state. The interest cost on these bonds is approximately $11 million. If they had been issued as taxable bonds, a 2 percent increase on the interest charge would result in interest costs of approximately $20.7 million rather than $11.2 million, a $9.5 million – or 85 percent – increase in interest costs. This is a significant amount of money for those 18 communities, which would then need to fund those increased costs through higher property taxes.

Rhode Island. Retention of the exemption is also critical for local borrowing for schools and other municipal projects. Municipal borrowing has averaged over $300 million annually over the last several years. Elimination of the exemption would increase city and town costs at least $5 million annually on new debt.

As was the case in 2016, municipal officials from northeastern states request that Congress does not eliminate or cap the tax-exempt status of municipal bonds. While we continue to recognize the fiscal challenges facing the federal government, we urge our Congressional delegation to reject any proposal that seeks to balance the federal budget at the expense of state and local governments. A proposal of that nature would have a significant negative impact on municipal infrastructure development. Taking into account the reductions in important federal infrastructure funding programs, such as Community Development Block grants, it is paramount that municipalities retain the ability to minimize the cost of bonding.

The municipal officials from Northeast Region thank the members of Congress who have signed the Muni-Bond Tax Exemption letter authored by Representatives Randy Hultgren of Illinois and C.A. Dutch Ruppersberger of Maryland, who serve as the co-chairs of the Municipal Finance Caucus.

The letter, which expresses strong support for the tax exempt status of municipal bonds, was open for signatures through Tuesday, February 28. At the time this edition of the Federal Issues Paper was printed, 70 members of Congress had signed the letter including Representatives Michael Capuano, James P. McGovern, Joseph Kennedy, III and William R. Keating, all representing the Commonwealth of Massachusetts, Bruce Poliquin of Maine, Peter King, Grace Meng, Paul D. Tonko and Kathleen Rice of New York, and Peter Welch of Vermont.

Local Government Infrastructure

A Multidimensional Approach: Transportation, Water/ Wastewater & Broadband

REQUEST: Municipal officials are calling on members of the Northeast Region's Congressional Delegation to provide stable and predictable sources of federal funding infrastructure improvement programs including the Fixing America's Surface Transportation (FAST) Act and Clean Water State Revolving Loan Funds.

The northeast region of the United States developed the country's earliest major infrastructure projects. As a result, the region's aboveground transportation infrastructure is sorely in need of replenishment; crumbling roads are visible to the naked eye and aged. Substandard bridges have become the focus of news reports. Concerns are growing that transportation infrastructure needs are being eclipsed by eroding, unseen underground pipelines. Throughout the northeast, water and sewer pipes that are still in use are widely known to date back to the 19th Century.

The costs associated with maintaining aging roads and bridges is taking its toll on the states' taxpayers. As shown in the table below, between 2005 and 2014, spending on roads and bridges among all of municipalities

FY 2005 vs. FY 2014 Municipal Spending for Highway Services

(in $1,000s)

	FY 2005		FY 2014	
	Highway Spending	Per Capita	Highway Spending	Per Capita
Connecticut	$ 463,155	$ 147	$ 655,995	$ 183
Maine	206,879	156	297,903	224
Massachusetts	727,054	114	1,026,878	151
New Hampshire	184,654	141	280,072	211
Rhode Island	93,178	87	122,893	116
Vermont	140,684	226	222,476	355
Total	$ 1,815,604	$ 131	$ 2,606,217	$ 177

Source: U.S. Census Bureau, State and Government Finance Surveys

in the New England states grew from $1.8 billion to $2.6 billion, representing an increase of 44% over the course of a decade. Taxpayers from the states of Vermont, New Hampshire and Maine were the hardest hit. Between 2005 and 2014, expenditures on roads and bridges increased by 58%, 52% and 44%, respectively.

Spending on drinking water and sewer services also increased over that same period. In 2005 the northeastern states collectively spent $2.7 billion to operate water and sewer facilities. In 2014, spending on these same services grew to $3.7 billion. Over that 10-year period, total expenditures on water-related services grew by 40% New England-wide, representing a per capita spending growth of 32%.

In light of these increasing costs and the continued deterioration of roads, bridges and water/wastewater facilities, it is not surprising that the municipal refrain remains the same. Municipal officials from across the Northeast Region need access to a stable and predictable source of funding for important infrastructure

FY 2005 vs. FY 2014 Municipal Spending for Sewer/Water Services (in $1,000s)				
	FY 2005 Water/Sewer Spending	FY 2005 Per Capita	FY 2014 Water/Sewer Spending	FY 2014 Per Capita
Connecticut	$ 609,788	$ 194	$ 931,729	$ 260
Maine	210,097	159	346,075	260
Massachusetts	1,397,892	218	1,790,409	264
New Hampshire	138,219	106	267,451	201
Rhode Island	234,199	218	301,015	284
Vermont	110,168	177	144,848	231
Total	$ 2,700,363	$ 195	$ 3,781,527	$ 257

Source: U.S. Census Bureau, State and Government Finance Surveys

improvements. What follows are examples of how federal-level revenues have advanced specific municipal infrastructure projects and the backlog of projects in the states of Maine, Massachusetts, New York and Rhode Island.

Maine - Broadband. In Maine, the overarching municipal sentiment begins with appreciation for federal level efforts to expand broadband internet access to unserved and underserved regions of the state. Municipal officials have been pleased to see the federal government recognize the need to push the capacity of this vital and technologically emerging utility beyond the confines of the marketplace to which the incumbent providers are accustomed. A generous infusion of federal resources helped complete the so-called "Three Ring Binder" infrastructure seven years ago. The three-ring binder is the fiber-optic internet cable network that runs from Aroostook to York County, so-called due to the three loops formed by the infrastructure across the state. This network is often likened to a highway, with various public and private internet on/off ramps to the "roads" or internet lines that extend into individual communities. The lack of practical "last mile" connections to the Binder has been the remaining challenge.

The 2016 edition of the Federal Issues Paper encouraged two actions of our members of Congress with respect to federally supported broadband investments. The following is a brief status update.

CAF-II Funds. In 2015, to help support expansion and operation of broadband services in so-called "high-cost" (i.e., suburban and rural) areas, the Federal Communication Commission's (FCC) Connect America Fund awarded FairPoint Communications roughly $80 million, disbursed over the course of six years. Similarly proportioned grants under the second round of the FCC's Connect America Fund (CAF) program have been awarded throughout our region, including $26.4 million in New Hampshire and $52.8 million in Vermont. At the time of this Paper's publication, the company had completed broadband expansion projects in 22 towns and cities across the state of Maine. Muncipal officials would welcome additional federal assistance as a means for expediting deployment.

E-Rate Flexibility. The schools and libraries universal service support program, commonly known as the E-Rate program, helps schools and libraries obtain affordable broadband. Under the direction of the FCC, this program provides up to $3.9 billion annually ($7.5 million in Maine alone) in an effort to further improve educational opportunities and boost local economies. Last year, the ConnectME Authority raised the question of whether the E-Rate rules, which limit access exclusively to schools and libraries, might be modestly relaxed to allow for some sharing of surplus bandwidth. The 2016 rule change allowing access to low cost "dark" fiber was a positive step in this direction. This year, there is a new concern that the fee supporting the state match for these programs will fall so low that it does not leverage the federal match. A lower federal match threshold

would be helpful.

Maine – Other Infrastructure Investments. When it comes to illustrating how federal funding impacts individual communities, Maine's easternmost City of Eastport (population 1,266) is a standout. The community has relied on the Transportation Investment Generating Economic Recovery (TIGER) grant program to reconstruct its vital breakwater, United States Department of Agriculture grants for wastewater treatment repairs and upgrades, and Economic Development Administration investments for a mill improvement project.

For the communities of Madawaska (population 3,839) and Madison (population 4,680), federal assistance with wastewater facility improvements are needed. In Madawaska, the community's nearly 40-year-old wastewater treatment plant would benefit from an upgrade. Incorporating technological advancements in the treatment of wastewater would save property tax dollars and take steps to better protect the environment.

In many rural/industrial areas like Madison, water districts are losing the ability to invest in water treatment expansions as larger users continue to dwindle and shutter. Due to the closing of the Madison Paper Plant in May 2016, the Anson/Madison Sanitary District (AMSD) now has excess capacity (five million gallons per day) and the ability to provide services to surrounding communities. Without federal assistance, the community is unable to expand its service area. Municipal leaders in Madison believe that program eligibility standards should encourage regional investment by giving priority to water/sewer projects that provide services to more than one community. Although, the AMSD has the capacity to serve a number of area communities, neighboring towns are seeking federal funds to upgrade their own aging systems.

Massachusetts – Broadband. In recent years, federal funding for broadband capacity in Massachusetts has come primarily in the form of a stimulus grant of $45.4 million through the Broadband Technology Program. This grant was paired with $44.3 million in matching funds from the Commonwealth from various sources to build the State's "middle mile" of connectivity in Western Massachusetts. This project (known as MassBroadBand 123) serves 400,000 households and businesses and over 1 million residents. Construction was completed in 2014.

While this initial investment is a crucial step toward bringing reliable broadband service to a large geographic area of the Commonwealth, there is more work to be done. As the name implies, this "middle mile" project still leaves connectivity problems for more rural areas for the "last mile." While local and regional groups have been working tirelessly to develop these networks, federal funding could move the projects along at a much faster pace.

Massachusetts – Transportation. Maintaining federal highway funding is important to cities and towns in Massachusetts. If federal highway funds were reduced, it could indirectly threaten funding for local roads by making fewer funds available for programs like the state's Chapter 90 funding program for local roads and bridges. Funding for local roads, the main transportation priority in most cities and towns, has been at $200 million annually, while the actual need to keep roads in a state of good repair is estimated to be over $600 million annually.

The Massachusetts Department of Transportation receives funding from the Federal Highway Administration, an authorization of approximately $600 million in recent years. After statewide needs are deducted, part of this funding is distributed to the State's metropolitan planning organizations as funds for regional Transportation Improvement Programs. A stable, long-term plan for funding infrastructure needs would help Massachusetts to use funds efficiently, plan ahead for projects and reduce backlog over time.

In addition, federal funding through transportation infrastructure grant programs enables communities to take on additional transportation projects and initiatives. Investing in transportation infrastructure in our communities can enhance economic development, public safety and quality of life for residents.

Massachusetts – Water/Wastewater. The Massachusetts Legislature created the Clean Water Trust, which is

tasked with administering the Clean Water and Drinking Water State Revolving Fund (SRF) Loan Programs. The SRF is a federal and state partnership to finance water infrastructure projects. The trust provides 2% interest rate loans to cities and towns. The loans fund construction and planning projects that improve water quality, upgrade or replace aging water infrastructure and cut treatment plant energy use and costs.

This year, the state announced that $580 million in loans would be available to fund wastewater and drinking water infrastructure projects through the State Revolving Fund. Seventy projects, impacting 44 communities across the Commonwealth, are eligible to receive $580 million in 2% interest-rate loans. These loans will fund a variety of drinking water and wastewater infrastructure upgrades. The projects include 50 clean water initiatives totaling more than $455 million and 20 drinking water projects totaling more than $125 million.

Increased federal funding would allow more communities to upgrade aging infrastructure. The Massachusetts State Auditor's office recently released a report on water infrastructure funding and the status of municipal water systems in the Commonwealth. Based on responses from cities and towns, the Auditor's Division of Local Mandates found that communities' total unmet water system spending needs are at least $17.8 billion over the next 20 years.

In April of 2016, the U.S. Environmental Protection Agency issued its final Small MS4 General Permits, which will regulate stormwater in 260 municipalities in Massachusetts. The MS4 permit will go into effect on July 1, 2017. Communities will need to grapple with additional costs of the MS4 stormwater permits, in addition to aging drinking water and wastewater infrastructure.

New York - Transportation. In New York, local infrastructure needs continue to far outpace the amount of resources available. The repair and maintenance of roads and bridges has suffered at the expense of the many other demands on municipal budgets. While New York's local governments are devoting more time and capital project funding to improving infrastructure, communities throughout the state have not been able to keep pace with deterioration, nor are they able to complete the current maintenance projects that demand attention. Furthermore, investing in infrastructure must be balanced against other spending priorities within municipal budgets that are already strained by declining tax bases and the state-imposed property tax cap.

Studies reveal that state and local investments in infrastructure improvements are substantially behind the projected funding needs. In 2013 it was projected that the funding needs for local roads and bridges will exceed $34 billion over the next 15 years, requiring an annual local government investment of $2.3 billion. Current expenditures, however, are dramatically behind that type of schedule. It has been estimated that every $1 of deferred maintenance on roads and bridges costs an additional $4 to $5 in needed future repairs. This reality continues to burden communities in New York State and without federal support few funding opportunities are available to combat this trend.

New York – Water/Wastewater. Local government officials are also extremely concerned about their water systems. New York State boasts some of the oldest continuously settled communities in the United States, and much of the water infrastructure is just as old. As a result, many water systems have exceeded their projected useful lives. The physical infrastructure of these systems are exceedingly vulnerable as evidenced by increasingly common water main breaks. Financing the requisite repairs however, both in response to emergency circumstances and proactive upgrades, is a considerable challenge. This year, the New York Department of Health estimated that the 20-year cost of necessary water investments is $39 billion. Water contamination also impairs the water supply for communities throughout New York State. Identifying contamination and, more specifically, implementing the required remediation measures, is extremely costly because it also necessitates the significant restructuring of water systems. Last year, higher-than-acceptable lead contamination was found in some of New York's school districts which prompted the State Legislature to enact legislation requiring all public school districts to test potable water supplies for lead contamination.

Chemical contamination is also threatening water systems throughout New York State. The Village of Hoosick Falls (population 322) and the Town of Petersburgh (population 1,506) have discovered perfluorooctanoic acid

(PFOA), a derivative of industrial products including Teflon, in the public water supply as a result of industrial leakages. It was reported that the chemical has been linked in some studies to cancer and other serious health conditions. Similarly, the City of Newburgh (population 28,290), discovered perfluorooctanesulfonic acid (PFOS, a similar chemical to PFOA) in the city's main reservoir. Avoiding similar calamities by identifying unregulated hazardous materials that threaten water systems, like PFOA and PFOS, and determining the maximum contamination levels for unregulated toxins is essential and also requires federal support.

Rhode Island - Transportation. A pledge by the federal government to fully authorize distribution from the Highway Trust Fund is essential. In September 2016, Rhode Island's Transportation Improvement Program approved project spending of $489 million for FY 2018. Of that total, $230 million (47%) is from federal funding sources. Even with this infusion of federal assistance, many projects were moved to the back burner for lack of resources. While state road improvements received the greatest focus, many local road projects are funded through the highway safety component. Additional funding by the federal government might make it possible to move delayed projects to fruition sooner, rather than later.

Rhode Island – Water/Wastewater. EPA drinking water and wastewater revolving fund support of nearly $20 million annually is also critical to cities, towns, and special districts of Rhode Island. These funds subsidize the borrowing by these entities to address essential water and wastewater spending identified in local facilities plans. Related to this concern is the critical need to preserve the tax exempt status on municipal bonds to keep the cost of these identified projects within reason and moderate rates charged to users.

Contributing Authors

Connecticut Conference of Municipalities
Michael Muszynski, Advocacy Manager

Maine Municipal Association
Kate Dufour, Senior Legislative Advocate
Garrett Corbin, Legislative Advocate

Massachusetts Municipal Association
John Robertson, Legislative Director
Nick Downing, Senior Legislative Analyst
David Lakeman, Legislative Analyst
Victoria Sclafani, Legislative Analyst
Vanessa Calaban, Research and Administrative Assistant

New Hampshire Municipal Association
Cordell Johnston, Government Affairs Counsel
Barbara Reid, Government Finance Advisor
Timothy Fortier, Communications and Member Services Coordinator

New York State Conference of Mayors
Rebecca J. L. Ruscito, Counsel

Rhode Island League of Cities and Towns
Peder Schaefer, Associate Director

League Contact Information

Joe DeLong, Executive Director
Connecticut Conference of Municipalities
900 Chapel Street, 9th Floor
New Haven, Connecticut 06510-2807
(203) 498-3000 | jdelong@ccm-ct.org

Stephen W. Gove, Executive Director
Maine Municipal Association
60 Community Drive
Augusta, Maine 04330
(207) 623-8428 | sgove@memun.org

Geoffrey Beckwith, Executive Director
Massachusetts Municipal Association
One Winthrop Square
Boston, Massachusetts 02110
(617) 426-7272 | gbeckwith@mma.org

Judy Silva, Executive Director
New Hampshire Municipal Association
P.O. Box 617 (25 Triangle Park Drive - 03301)
Concord, New Hampshire 03302-0617
(603) 224-7447 | jsilva@nhlgc.org

Peter A. Baynes, Executive Director
New York State Conference of Mayors
119 Washington Avenue
Albany, New York 12210
(518) 463-1185 | Peter@nycom.org

Brian Daniels, Executive Director
Rhode Island League of Cities and Towns
1 One State Street, Suite 502
Providence, Rhode Island 02908
(401) 272-3434 | bdaniels@rileague.org

Maura Carroll, Executive Director
Vermont League of Cities and Towns
89 Main Street, Suite 4
Montpelier, Vermont 05602-2948
(802) 229-9111 | mcarroll@vlct.org

2017
FEDERAL ISSUES PAPER

A Collaborative Effort of The Leagues of Towns, Cities and Villages Throughout The Northeast States