

# Senate Finance Committee

*Deb Martone 271-4980*

**SB 116-FN**, relative to the Pillsbury Lake Village District community water system, and making an appropriation therefor.

**Hearing Date:** February 4, 2025

**Time Opened:** 2:01 p.m.

**Time Closed:** 2:17 p.m.

**Members of the Committee Present:** Senators Gray, Innis, Birdsell, Pearl, Lang, Rosenwald and Watters

**Members of the Committee Absent:** Senator Carson

**Bill Analysis:** This bill makes an appropriation to the Pillsbury Lake Village District for loan costs related to upgrading pipes, the water filtration system, and developing a new well.

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**Sponsors:**

Sen. Innis

Rep. See

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**Who supports the bill:** Senator Innis; John Maraganis.

**Who opposes the bill:** Cindy Kudlik.

**Who is neutral on the bill:** Brandon Kernen; Cynthia Klevens.

**Summary of testimony presented in support:**

Senator Innis, Prime Sponsor:

- There is a small water district along Pillsbury Lake in Webster. It was established in the 1960s.
- The district borrowed \$300,000 to cover some upgrades such as piping, a water filtration system, and perhaps a new well.
- The residents connected to the water system are paying onerous fees to pay back the loans, to the point where the average customer is spending approximately \$2,500 per year on water. This is compared with \$870, the state average. It is unsustainable.
- If they were to shut down the system and put in wells, that cost would be borne by the homeowners.
- In a letter dated February 3, 2025 from Commissioner Robert Scott of the Department of Environmental Services he noted, "The development of the water systems in the 1960s occurred prior to modern standards that would have prevented the issues that have caused this situation." Commissioner Scott went

on to add, "Although residential lots are not sized to support onsite septic and individual wells, the community construction pre-dates the 1967 subdivision requirements such that those requirements cannot be enforced.

- You could potentially have 37 owners digging septic systems on lots that are not big enough to support the septic systems, and there wouldn't be anything we could do about it. The water in the lake could be at risk. Too much septic; not enough space.
- This is a relatively modest request. It would provide enormous relief to the folks that are on the system. It would ensure sustainability for the coming years. This is as much an environmental issue as it is a fiscal issue for the water district.
- Senator Rosenwald inquired if the appropriation is to totally pay off the loan? Senator Innis agreed.
- Senator Watters asked why the state should pay. Senator Innis agreed that was a valid question. He believes we have a responsibility to our citizens and to our environment to do the right thing when it comes to water. He agreed it could totally be a local issue and locally funded, but there are risks to that, particularly in this situation. You would have people going off the system, digging a well, digging a septic in a place where you will put a septic load that cannot be accommodated based on the regulations we have in place today. The lots can't accommodate it. "Are we going to say you can't have water at all? No, you have to move--Sorry." This is what we're looking at. This is one of those instances where state support can help.

John Maraganis, Resident of Webster:

- Mr. Maraganis is a user of the community water system, and not a board member. He and his wife have formed a group called the "Community Water Advocacy Group" whose focus is exclusively on improving the community water system.
- Currently, the water bills are breaking the backs of the remaining customers.
- Five years ago, there were approximately 125 community water users.
- The district was formed to create a community water system because a majority of the lots are postage size lots; one quarter acre lots. The lots are not conducive to septic. Private wells also have a problem. Properties would end up being abandoned, as there is no place to go. There is no other alternative water source other than the community water system.
- This is a one-time effort to relieve these 37 homeowners of the loans. They, in turn, will carry the remainder of the efforts to continue the community water system. Senator Gray inquired as to what happened to the others. Mr. Maraganis stated the other homeowners put in private wells. It was costly, with some of them regretting it. Their action was based on fear that the community water system might not be feasible to run. Senator Gray wondered if there was anything in the agreement to indicate these hundred people had to keep their obligation to pay off the debt, whether or not they were receiving water. Mr. Maraganis indicated that discussion had been debated. When they were on the water system they did agree to pay. He is unsure of the present legal standing.

- Senator Rosenwald inquired if the loan merely pays for the drinking water, or does it also cover the sewer. Mr. Maraganis explained they have no sewer. Everyone has a private septic system. The subject matter is purely water, no septic. Senator Rosenwald pointed out the lots are not big enough to host wells and septic. Mr. Maraganis indicated the postage size lots are not large enough to maintain private wells and septic systems. Prior to 1967 a homeowner could put a septic system in. Senator Gray explained the general rule of thumb for the installation of both a septic system and a well requires approximately 40,000 square feet. You need a radius of 75 feet or more around the well.

**Neutral Information Presented:**

Brandon Kernen, Administrator, Drinking Water and Groundwater Bureau, Department of Environmental Services:

- We went from 130 homes on this water system to 37 homes. Thus, the rate base dropped and the average water bill is approximately \$2,500 per year, as compared to the state average closer to \$900 per year. It is a difficult situation.
- SB 116-FN proposes to pay some debt. It also proposes to pay for a new well.
- The pre-1967 lots were called "lots of record". This was prior to the state having a subdivision process and lot loading. There were some preexisting lots which were allowed a 2-bedroom home with a well and septic. Lot loading wasn't scrutinized the way it would be in modern times. The only real prohibition is that the well needs to be 25 feet horizontally away from the septic system, and vertically out at least 75 feet. You may have to drill a well with steel casing very deep and gravel out to keep that system away from the septic system. Those are very costly wells. And, the success of water is unknown until you incur those costs. You could be looking at \$50,000-\$60,000 per well for those types of enhancements.
- Senator Rosenwald sought confirmation you could have a septic system on these postage stamp lots, but not both a septic system and a well. Administrator Kernen indicated for the pre-1967 postage lots, that would probably be true, as long as you kept to the requirements of separation he indicated.
- Senator Innis reiterated the current rules concerning septic systems and wells don't apply in this particular location. Administrator Kernen agreed.
- Senator Watters sought confirmation there is no current state statute which addresses the long-term financial responsibility of a homeowner relative to the loans taken out by the water system that they were connected to at the time of the loan origination. Administrator Kernen indicated they have not been able to identify one. Senator Watters stated it would be difficult to pass a law now making it retroactive to this situation.
- Senator Gray wondered with sufficient water in the wells could there be groups of 2 or 3 on one well and share the water as a "mini water source"? Administrator Kernen agreed that suggestion could be explored.