

SENATE BILL REPORT

SB 6340

As Reported By Senate Committee On:
Water, Energy & Telecommunications, January 18, 2008
Ways & Means, February 07, 2008

Title: An act relating to water system acquisition and rehabilitation.

Brief Description: Providing for a water system acquisition and rehabilitation program.

Sponsors: Senators Rockefeller, Morton, Sheldon, Swecker, Hobbs, Berkey and Kilmer.

Brief History:

Committee Activity: Water, Energy & Telecommunications: 1/16/08, 1/18/08 [DPS-WM].
Ways & Means: 2/4/08, 2/7/08 [DPS(WET)].

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

Majority Report: That Substitute Senate Bill No. 6340 be substituted therefor, and the substitute bill do pass and be referred to the Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Murray, Vice Chair; Delvin, Fraser, Hatfield, Holmquist, Morton, Oemig and Regala.

Staff: Karen Epps (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6340 as recommended by Committee on Water, Energy & Telecommunications be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Elise Greef (786-7708)

Background: The Water System Acquisition and Rehabilitation Program (WSARP) began in 2003 through biennial budget appropriations. WSARP grants protect public health by financing the transfer of ownership of failing drinking water systems to municipal systems with a history of sound utility management. WSARP grants also subsidize capital construction projects to help systems achieve compliance with state and federal safe drinking water standards.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

With 4 million dollars appropriated in 2003, the Public Works Board approved grant funds for 18 projects. Twenty-eight water systems were acquired and rehabilitated. WSARP received 2 million dollars in 2005 and expects acquisition and rehabilitation of 12 additional water systems. In 2007, WSARP received 3.75 million dollars, with 1 million dollars of that appropriated for the City of Republic to acquire the Pine Grove Water System. WSARP is jointly administered by the state Department of Health, the Public Works Board, and the Department of Community, Trade and Economic Development.

Summary of Bill (Recommended Substitute): An ongoing WSARP is established. The program would be jointly administered by the same parties currently administering the existing program. The agencies are required to adopt guidelines for the program using, as a model, the procedures and criteria of the drinking water revolving loan program. The program will provide grants, not to exceed 25 percent of the funds allocated to the appropriation in any fiscal year, to partially cover project costs.

Additionally, the Department of Health (DOH), in consultation with the Public Works Board, must prepare a report on the program. The report must review:

- program projects initiated and completed to date;
- funding levels and funding sources;
- the form of assistance provided, whether grants or loans;
- funding cycles;
- potential eligibility of group B water systems (fewer than 15 service connections to single-family residences) for assistance;
- consideration of benefits other than public health or water quality benefits;
- activities that may be funded beyond acquisition, preconstruction design, and construction; including the cost to agencies to operate the program;
- the project priority setting process and relative priority for funding projects for systems that serve few residential customers;
- requiring installation of service meters in funded projects;
- eligibility for grants of municipalities that have not owned and operated a group A water system (15 or more service connections to single-family residences) for at least five years;
- allowing an eligible purveyor that has already acquired a failing water system to be eligible for grants to cover any outstanding costs of rehabilitation of the failing water system;
- tiering of project priorities; and
- consideration of the system's rate base and the ability of the households on the system to afford rate increases to fund a portion of the necessary system rehabilitation.

The report must also include a survey of estimated WSARP funding needs, based on existing informal survey information from local governments, the utilities and transportation commission, and purveyors. The report must be submitted to the fiscal and water policy committees of the Senate and the House of Representatives no later than January 1, 2009.

EFFECT OF CHANGES MADE BY WATER, ENERGY & TELECOMMUNICATIONS COMMITTEE (Recommended Substitute): DOH only provides financial assistance through this program if funding is appropriated. DOH, in consultation with the Public Works Board, will prepare the report and make recommendations

concerning the program. The report will also include a review of the cost to agencies to operate this program, the project priority setting process, the feasibility of allowing an eligible purveyor that has already acquired a failing water system to be eligible for grants under this program, and estimated program funding needs.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Water, Energy & Telecommunications): PRO: WSARP helps address small failing water systems, those systems with failing infrastructure or poor water quality. Larger systems face financial issues when faced with taking over small failing water systems. WSARP helps the larger systems bear the financial burden of taking over small water systems. This program allows larger water systems to take over failing water systems without an additional cost to existing customers.

Persons Testifying (Water, Energy & Telecommunications): PRO: Senator Rockefeller, prime sponsor; Bill Clarke, Washington Public Utility District Association; Dave Siberg, Kitsap Public Utility District; Gregg Grunenfelder, Department of Health.

Staff Summary of Public Testimony (Ways & Means): PRO: This program has proved its value by helping to maintain potable water supplies when local systems fail. Last winter came record storms, snowfall, and floods that showed this program will become even more critical. Many small systems were damaged or contaminated by flooding and it's time to put into statute a program that's been shown to be successful so people can continue to enjoy a public benefit that many of us have come to take for granted. Public Utility Districts or water systems are often called on to take on aged, failing drinking-water systems. The demand is growing because of the age of many drinking-water systems in rural areas. We do not have an inventory of what our long-term funding needs will be in coming years. We would benefit, as well, from a better understanding of how projects should be prioritized, and what kinds of policies contribute to failures.

Persons Testifying (Ways & Means): PRO: Senator Phil Rockefeller, prime sponsor; Bill Clarke, Washington Public Utility Districts.