

SENATE BILL REPORT

SB 6343

As of February 16, 2012

Title: An act relating to establishing a water pollution control revolving administration fee.

Brief Description: Establishing a water pollution control revolving administration fee.

Sponsors: Senators Nelson and Kline; by request of Department of Ecology.

Brief History:

Committee Activity: Environment: 1/31/12.

SENATE COMMITTEE ON ENVIRONMENT

Staff: Karen Epps (786-7424)

Background: The State Water Pollution Control Revolving Fund (SRF) Program was authorized under the Clean Water Act Amendments of 1987. The United States Environmental Protection Agency (EPA) provides money to capitalize state loan funds based on congressional appropriations, state matching funds, and principal and interest repayments. The Centennial Clean Water Grant Program receives money from the State Building Construction Account and the State and Local Toxics Account.

The SRF Program and the Centennial Clean Water Grant program are managed jointly by the Department of Ecology (Ecology). Together, the programs provide low interest loans and grants to local governments and federally-recognized Indian tribes to support a wide variety of activities including technical assistance, financial assistance, education, training, technology transfer, demonstration projects, and monitoring to assess the success of specific nonpoint source implementation projects. These funds are used primarily to plan, design, construct, and improve water pollution control facilities such as wastewater treatment plants, main sewers, and storm water control projects.

Ecology manages the annual application and funding process of these funding sources through an integrated funding approach. As such, there is one combined funding cycle, one application form and submittal period, and a combined funding list. Ecology may use up to 4 percent of the EPA capitalization grant to cover its SRF administrative costs. Federal law prohibits the use of repayment principal and interest for SRF administration.

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.

Summary of Bill: Ecology is authorized to charge an administration fee for loans issued under the SRF program. The administration fee applies retroactively to July 1, 2007, and is to be charged as a portion of the debt service on each loan, except for loans carrying an interest rate of less than one-half of 1 percent which are to be exempt. Debt service is defined as the total of all principal, interest and fees associated with an SRF loan that must be repaid to Ecology by a public body.

All receipts from the administration fee are to be deposited in a Water Pollution Control Revolving Administration Account (Account) created in the State Treasury. In addition to the administration fee receipts, the Account may consist of any other revenues, including gifts, grants, or bequests pledged to the state for administering the SRF program. The State Treasurer is authorized to invest and reinvest Account revenues and must credit the Account with its investment earnings.

Monies in the Account are to be used for: (1) staffing the management of the SRF program; (2) administering loans and collecting loan repayments; (3) information and data systems used to track and manage the SRF; and (4) other associated costs of SRF program administration. Each biennium, Ecology may spend from the Account an amount that is no more than 4 percent of the new capital appropriation. Ecology must determine its administrative costs including an adequate working capital reserve and taking into account the 4 percent expenditure cap. If Ecology determines that there is an excess balance in the Account, it must request in its subsequent budget submittal that the balance be transferred to the SRF.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for section 2 which is retroactive to July 1, 2007.

Staff Summary of Public Testimony: PRO: This bill would provide Ecology with the authorization to charge an administration fee. This is to ensure that Ecology has a stable funding source for the SRF program. The SRF program is a nearly \$1 billion loan program established in 1987 through the CWA to provide low interest loans to local governments for water quality improvement. The bill provides a definition of debt service that includes principal, interest, and the administration fee. Ecology plans to take a half percent as the administration fee off of the current interest rate. This bill does not increase the fund through this fee. It remains revenue neutral. The bill exempts hardship loans from the administration fee. In order for Ecology to recoup its costs, the administration fee will be charged on all loans issued on or after July 1, 2007. There is a 4 percent administration fee cap and the bill requires Ecology to look at their costs biennially and adjust its administrative costs. Ecology will need to come to the Legislature for appropriations. Any additional funds from the administration fees will be funneled back into the SRF program.

Persons Testifying: PRO: Don Seeberger, Jeff Nejedly, Ecology.