

# SENATE BILL REPORT

## SB 6343

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As Reported by Senate Committee On:  
Environment, February 1, 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, 2/01/12 [DPS, DNP].

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### SENATE COMMITTEE ON ENVIRONMENT

**Majority Report:** That Substitute Senate Bill No. 6343 be substituted therefor, and the substitute bill do pass.

Signed by Senators Nelson, Chair; Rolfes, Vice Chair; Chase, Fraser and Pridemore.

**Minority Report:** Do not pass.

Signed by Senators Ericksen, Ranking Minority Member; Honeyford, Morton and Sheldon.

**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,

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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.

**Summary of Bill (Recommended Substitute):** 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. The sole purpose of charging the administration fees is to adequately fund Ecology's costs of administering the SRF Program. 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.

By December 1, 2016, Ecology must submit a report to the legislative fiscal committees regarding the implementation of the administration fee, including information on:

- the amount of income the fee has produced since its inception;
- the uses and adequacy of the income for administrative costs;
- any excess balances that have been transferred to the SRF; and
- any additional sources that Ecology is using for program administration.

As part of its 2017-2019 biennial operating budget submittal and for every biennium after that, Ecology must compare the projected administrative costs of the SRF program with the projected income from the administration fee, and adjust the rate of the administration fee to ensure that the income produced adequately funds the costs of administering the program.

**EFFECT OF CHANGES MADE BY ENVIRONMENT COMMITTEE (Recommended Substitute):** Establishes that the sole purpose of charging the administration fees is to

adequately fund Ecology's costs of administering the SRF Loan Program. Requires Ecology to biennially compare the fee rate to projected costs and adjust the rate to ensure adequate funding of program costs; and submit a status report to legislative fiscal committees on implementation of the fee.

**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 on Original Bill:** 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: Senator Nelson, prime sponsor; Don Seeberger, Jeff Nejedly, Ecology.