SENATE BILL REPORT
SHB 1141

As Reported by Senate Committee On:
Ways & Means, March 27, 2013

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

Brief Description: Establishing a water pollution control revolving loan administration charge.

Sponsors: House Committee on Capital Budget (originally sponsored by Representatives Smith, Tharinger, Short, Hunt, Stanford, Warnick and Ryu; by request of Department of Ecology).

Brief History: Passed House: 3/06/13, 93-4.
Committee Activity: Ways & Means: 3/19/13, 3/27/13 [DP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Hill, Chair; Baumgartner, Vice Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Nelson, Assistant Ranking Member; Bailey, Becker, Braun, Conway, Dammeier, Fraser, Hasegawa, Hatfield, Hewitt, Keiser, Murray, Parlette, Ranker, Rivers, Schoesler and Tom.

Minority Report: That it be referred without recommendation.
Signed by Senator Padden.

Staff: Sherry McNamara (786-7402)

Background: The Water Pollution Control Revolving Account, also known as the State Revolving Fund (SRF), was established by Congress in 1987 under the federal Clean Water Act to provide low-interest loans to local governments for high priority water quality projects.

The Department of Ecology (Ecology) administers the program. The loans are used by cities, counties, federally recognized tribes, special purpose districts, and other public bodies to plan, design, construct, and improve water pollution control facilities such as wastewater treatment plants, main sewers, and storm water control projects. Borrowers must repay the loans and the repayments are deposited into the SRF to be made available for future loans.

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.

The SRF program receives funding from four sources: (1) loan repayments; (2) an annual capitalization grant from the Environmental Protection Agency (EPA); (3) a required 20 percent state match appropriated by the Legislature; and (4) interest earnings on state Treasury investments.

Federal law prohibits the use of loan repayments for administration; however, Ecology may use up to 4 percent of the EPA capitalization grant to cover its SRF program administration costs.

The current SRF program portfolio is $1.2 billion, with 96 loans in the disbursement and negotiation phase, and 265 loans in repayment status.

Summary of Bill: Ecology is authorized to assess an administration charge for loans issued under the SRF program in order to predictably and adequately fund Ecology's administrative costs. The administration charge may not exceed 1 percent on the declining principal loan balance. The administration charge will be assessed as a portion of the debt service on each loan at the point the loan enters repayment status. Loans carrying an interest rate less than the administration charge are exempt from the charge.

A Water Pollution Control Revolving Administration Account (Revolving Account) is created in the State Treasury. All receipts from the administration charge, as well as other revenues from gifts, grants, or bequests pledged for SRF program administration, are to be deposited in the Revolving Account. The State Treasury is authorized to invest revenues and must credit the Revolving Account with its proportionate share of investment earnings.

Ecology may spend from the Revolving Account an amount that is no more than four percent of the new capital appropriation. Moneys in the Revolving Account must be used for administration costs associated with conducting application processes; managing contracts; collecting loan repayments; providing technical assistance; meeting state and federal reporting requirements; and information and data system costs.

Beginning with the 2017-19 operating budget submittal, Ecology must compare the projected balance in the Revolving Account and the project income from the administration charge with the project costs, including an adequate working capital reserve approved by the Office of Financial Management. Ecology must then determine whether its administration charge rate must be increased, decreased, or remain unchanged, and whether there is an excess balance in the Revolving Account that must be transferred to the SRF to be used for loans.

Ecology must report to the legislative committees on implementation of the administration charge by December 1, 2018.

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: PRO: This bill is about keeping the money flowing and managing the SRF into perpetuity. Currently, the administrative costs are paid with 4 percent of the federal grants; if the federal government walks away from this program, we need to have an administrative charge to cover the administration costs. The bill puts parameters around the process and requires that the administrative charge be no more than 1 percent of the declining principal loan balance. In the country, 85 percent of the states have a revolving fund program, but our state has the tightest and best program. This bill is particularly important for seizing funding for critical water projects to protect our state's clean water. Our biggest concern is that the program might go away. The SRF is a viable program that is necessary for our communities.

Persons Testifying: PRO: Representative Smith, prime sponsor; Don Seeberger, Jeff Nejedly, Ecology; Ed Thorpe, Coalition for Clean Water.