

# HOUSE BILL REPORT

## HB 2309

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to increasing the available term of water pollution control revolving fund program loans to reflect the 2014 amendments to the federal clean water act allowing such an increase.

**Brief Description:** Increasing the available term of water pollution control revolving fund program loans to reflect the 2014 amendments to the federal clean water act allowing such an increase.

**Sponsors:** Representatives Smith, Stanford, Griffey, Haler, Wilcox, Tharinger and Moscoso; by request of Department of Ecology.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 1/22/16, 1/29/16 [DP].

#### **Brief Summary of Bill**

- Modifies the maximum term for Clean Water State Revolving Fund loans to be the lesser of 30 years or the useful life of the project.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** Do pass. Signed by 8 members: Representatives Tharinger, Chair; Stanford, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Kilduff, Kochmar, Peterson and Walsh.

**Staff:** Meg VanSchoorl (786-7105).

#### **Background:**

The Water Pollution Control Revolving Fund Loan program, also known as the Clean Water State Revolving Fund (SRF) program, was established by Congress under the federal Clean Water Act Amendments of 1987. The SRF is managed by the Department of Ecology (Ecology) under an integrated water quality program that also includes the Centennial Clean

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*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.*

Water, the Stormwater Financial Assistance, and the Section 319 Nonpoint Source Grant programs.

The SRF program provides low-interest loans to cities, counties, special purpose districts, federally recognized Indian tribes, 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 are required to repay the loans and the repayments are deposited into the SRF to be made available for future loans.

Currently, the SRF loan term has a maximum of 20 years. The standard interest rate is calculated based on 60 percent of the average market rate for tax-exempt municipal bonds. The standard interest rate charged on loans made in fiscal year (FY) 2015 was 2.7 percent for a five to 20 year term. The rates for FY 2016 and FY 2017 are 2.4 percent and 2 percent, respectively. The SRF program also has the authority to issue subsidized loans and forgivable principal loans in hardship cases.

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. The 2015-17 Capital Budget appropriation for the SRF program is \$203 million, of which \$153 million is from loan repayments and the state match, and \$50 million is from the EPA capitalization grant. Federal law prohibits the use of loan repayments for administration, but Ecology may use up to 4 percent of the EPA capitalization grant to cover its SRF program administration costs.

The SRF program portfolio, including loans awarded through FY 2016, is \$1.6 billion, with 141 loans in the disbursement and negotiation phase, and 333 loans in repayment status.

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### **Summary of Bill:**

Consistent with amendments contained in the federal Water Resources Reform and Development Act of 2014, the maximum term for SRF loans is modified from 20 years to the lesser of 30 years or the useful life of the project as determined by the state. In addition, references to the Clean Water Act of 1987 are replaced with updated federal citations.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) The Clean Water Revolving Fund Loan Program involves significant dollars for important community projects. Extending the maximum loan term to 30 years will lower monthly costs for local government borrowers who choose that option, although as with a home mortgage, they will pay more in overall interest over time. The 30 year term is a closer match than the current 20 year term to the typical useful life of the assets being funded through these loans. There will be an insignificant drop in revenues to the revolving loan fund.

(Opposed) None.

**Persons Testifying:** Representative Smith, prime sponsor; Don Seeberger, Department of Ecology; and Ed Thorpe, Coalition for Clean Water.

**Persons Signed In To Testify But Not Testifying:** None.