
Capital Budget Committee

HB 2605

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

Sponsors: Representative Dunshee; by request of Department of Ecology.

Brief Summary of Bill

- Authorizes the Department of Ecology to charge an administration fee for issuing loans under the State Water Pollution Control Revolving Fund program.
- Creates a Water Pollution Control Revolving Administration Account in the State Treasury and prescribes its revenue sources, uses, expenditure cap, and treatment of excess balances.

Hearing Date: 1/24/12

Staff: Meg Van Schoorl (786-7105).

Background:

The State Water Pollution Control Revolving Fund (SRF) Loan 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 primarily to plan, design, construct, and improve water pollution control facilities such as wastewater treatment plants, main sewers, and storm water control projects.

The SRF was established by Congress under the federal Clean Water Act and is funded annually through an Environmental Protection Agency (EPA) capitalization grant based on congressional appropriations, state matching funds, and principal and interest repayments. 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.

The current SRF loan portfolio is in excess of \$1 billion, and has 255 loans in repayment and 98 loans in the disbursement and negotiation phase. The interest rate on a standard 20 year SRF

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loan is calculated annually based on 60 percent of the average market rate for tax-exempt municipal bonds. The interest rates charged over the past few years have ranged from 2.5 percent to 2.9 percent.

The 2011-13 capital budget appropriation to the SRF is \$184 million, of which \$102 million is from loan principal and interest repayments, and \$82 million is from the federal capitalization grant and a required 20 percent state match.

Summary of Bill:

Administration Fee Authorized.

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 one percent which are to be exempted. "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.

Account Created in the State Treasury.

All receipts from the administration fee are to be deposited in a Water Pollution Control Revolving Administration Account (Account) created in the State Treasury. Moneys from the Account may be spent only after appropriation and only in a manner consistent with the bill. In addition to the administration fee receipts, the Account will consist of any other revenues pledged to the state for administering the SRF. The State Treasurer is authorized to invest and reinvest Account revenues and must credit the Account with its proportionate share of investment earnings based on its average daily balance.

Expenditure of Moneys in the Account.

Moneys in the Account are to be used for: (1) staffing the management of the SRF loan 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 loan 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.

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