

Individual State Agency Fiscal Note

Bill Number: 5364 S SB 5364-S AMH ENVI H2236.1	Title: Public water system permits	Agency: 303-Department of Health
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
Safe Drinking Water Account-State 03R-1	570,000	1,100,000	1,670,000	3,500,000	3,500,000
Total \$	570,000	1,100,000	1,670,000	3,500,000	3,500,000

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	1.3	5.2	3.3	5.2	5.2
Account					
General Fund-State 001-1	0	(120,000)	(120,000)	(240,000)	(240,000)
Safe Drinking Water Account-State 03R-1	570,000	1,100,000	1,670,000	2,340,000	2,340,000
Total \$	570,000	980,000	1,550,000	2,100,000	2,100,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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Request # 11-164-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: The fiscal impact has not changed since the previous fiscal note (SSB 5364, FN11-120).

Section 1(6): Strikes language in statute that specifies fee amounts for group A public water systems.

Section 1(7): Authorizes the Department of Health (DOH) to adopt rules in accordance with Chapter 34.05 RCW.

Section 1(8): Directs the department to establish, by rule, categories of operating permit fees based on system size, complexity, and number of service connections. Directs DOH to use the fees to monitor and enforce compliance by group A public water systems with state and federal laws that govern planning, water use efficiency, design, construction, operation, maintenance, financing, management, and emergency response.

Section 1(9): Limits the annual per-connection fee to one dollar and fifty cents, and also requires the phase-in of any annual fee increase greater than ten percent.

Section 1(11): Requires the department to establish by rule one single fee based on the total number of connections for all group A public water systems owned by a satellite management agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Background: Existing law requires Operating Permit fees to be deposited into the Safe Drinking Water Account (Fund 03R) as directed in Chapter 70.119A RCW. Revenue deposited into this account for the last three fiscal years is approximately \$1.28 million in fiscal year (FY) 2008, \$1.3m in FY 2009, and \$1.38m in FY 2010.

In the current fee structure, water systems with fewer than 14 service connections are not subject to the fee; systems with 15 -- 49 service connections are invoiced only \$25 annually. About 64 percent of all Group A public water systems in Washington State either pay \$25 annually or nothing at all. Systems with connections 50 and above pay between \$1.35 and \$1.45 per connection with a \$10,000 cap for the annual fee.

This fee request to modify the Operating Permit fees will more fairly spread the costs to entities requiring the most support and reduce reliance on the state general fund, so that the department can continue assisting water systems in meeting their responsibilities to provide safe and reliable drinking water.

Section 1: All water systems would pay an annual \$100 base fee plus a variable per-connection charge ranging from \$1.15 to \$1.45 per service connection phased in over three years. The expected cost to customers would be about \$1 more per household per month for the smallest water systems, and \$.04 cents per month, per household for the largest systems. Satellite System Management Agencies that oversee public health protection at multiple systems (such as a Public Utility District) would receive a break on the fee charged for systems they own.

The department proposes to phase-in approved fee increases provided the fee schedule is established in rule. Estimated additional revenue in FY2012 is \$570,000, FY2013 \$1,100,000, and FY2014 and ongoing \$1,750,000. The total incremental revenue anticipated from the fee increases does not equal expenditures because of the on-going state general fund savings of \$120,000 identified in FY 2013.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Note: The Governor's Proposed 2011-13 Biennial Operating Budget provides funding in a budget line item consistent with the "DW" Support for Safe Drinking Water agency decision package that reflects this transfer of fee authority from statute to rule. This fee request to modify the Operating Permit fees will more fairly spread the costs to entities requiring the most support and reduce reliance on the state general fund, so that the department can continue assisting water systems in meeting their responsibilities to provide safe and reliable drinking water. Beginning in FY 2013 and ongoing, the overall state general fund support of the program is expected to be reduced by \$120,000 per year.

Background: Small water systems represent the majority of compliance actions the department takes and require the most technical assistance support. Since 2003, the Washington State Legislature has directly appropriated more than \$18 million of state funds toward failing small water systems. In 2008, the Legislature directed DOH to conduct a statewide review of small water systems that have or may in the future require significant state resources to resolve urgent threats to public health and safety. The department's report from the statewide review showed that many small drinking water systems are not meeting basic water quality requirements, jeopardizing the health of Washington State citizens. Improved oversight of the managerial and financial health of water systems will avoid larger financial burdens on the state from small water systems that fail in the future.

Section 1: Starting in FY 2012, costs are related to improving the financial viability and success of smaller water systems. Estimated expenditures in FY 2012 include salary, benefits, and associated costs for 1.0 FTE Environmental Planner (EP) 4 that will serve as the financial capacity expert and coordinator within the program. Estimated expenditures also include printing costs and contractual costs of \$445,000 in FY 2012 to provide third party experts in the field for technical assistance to small water systems. Total costs for FY 2012 are \$570,000.

In FY 2013 and ongoing, estimated expenditures include 1.0 FTE EP4 and 3.0 FTE Environmental Engineer 2 to conduct additional water system inspections and provide technical assistance. Estimated expenditures include salary, benefits and associated costs, including the one-time purchase of equipment of \$10,000 for new staff. In addition, the department will be increasing the number of inspections that local health jurisdictions complete on the department's behalf starting in FY 2013, the contractual costs will increase to \$468,000 (\$547,000 in FY 2014 and ongoing). Total costs for FY 2013 are \$980,000 and for FY 2014 and ongoing the costs are \$1,050,000.

In addition, estimated expenditures in FY 2012 include salary, benefits, and associated costs for 0.1 FTE Health Services Consultant (HSC) 1 and 0.2 FTE Fiscal Analyst (FA) 2 to assist with increased administrative workload. These staff will increase to 0.4 FTE HSC 1 and 0.8 FTE FA 2 in FY 2013 and ongoing.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	1.3	5.2	3.3	5.2	5.2
A-Salaries and Wages	82,000	335,000	417,000	668,000	668,000
B-Employee Benefits	23,000	94,000	117,000	188,000	188,000
C-Personal Service Contracts	445,000	468,000	913,000	1,094,000	1,094,000
E-Goods and Services	17,000	63,000	80,000	130,000	130,000
G-Travel	1,000	4,000	5,000	8,000	8,000
J-Capital Outlays		10,000	10,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	2,000	6,000	8,000	12,000	12,000
9-					
Total:	\$570,000	\$980,000	\$1,550,000	\$2,100,000	\$2,100,000

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2012	FY 2013	2011-13	2013-15	2015-17
ENVIRONMENTAL ENGINEER 2	69,756		3.0	1.5	3.0	3.0
ENVIRONMENTAL PLANNER 4	66,420	1.0	1.0	1.0	1.0	1.0
Fiscal Analyst 2	45,828	0.2	0.8	0.5	0.8	0.8
Health Svcs Conslt 1	44,712	0.1	0.4	0.3	0.4	0.4
Total FTE's	226,716	1.3	5.2	3.3	5.2	5.2

III. C - Expenditures By Program (optional)

Program	FY 2012	FY 2013	2011-13	2013-15	2015-17
Division of Environmental Health (020)	551,000	917,000	1,468,000	1,974,000	1,974,000
Administration (090)	19,000	63,000	82,000	126,000	126,000
Total \$	570,000	980,000	1,550,000	2,100,000	2,100,000

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 1: Consistent with current law, the existing fee structure is in WAC 246-294-070. Changes will be necessary to establish the proposed fee structure and thereby increase the fees through the rule change process.