

Multiple Agency Fiscal Note Summary

| | |
|--------------------------------|--|
| Bill Number: 5251 2E SB | Title: Public water syst assistance |
|--------------------------------|--|

Estimated Cash Receipts

| Agency Name | 2015-17 | | 2017-19 | | 2019-21 | |
|---------------------------|--|-------|-----------|-------|-----------|-------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Office of State Treasurer | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | |
| Total \$ | 0 | 0 | 0 | 0 | 0 | 0 |

Estimated Expenditures

| Agency Name | 2015-17 | | | 2017-19 | | | 2019-21 | | |
|---------------------------|---------|----------|-------|---------|----------|-------------|---------|----------|---------------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Office of State Treasurer | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Department of Commerce | .0 | 0 | 0 | (3.0) | 0 | (552,500) | (3.7) | 0 | (884,000) |
| Department of Health | .0 | 0 | 0 | 3.9 | 0 | (89,000) | 4.6 | 0 | (878,000) |
| Total | 0.0 | \$0 | \$0 | 0.9 | \$0 | \$(641,500) | 0.9 | \$0 | \$(1,762,000) |

Estimated Capital Budget Impact

| Agency Name | 2015-17 | | 2017-19 | | 2019-21 | |
|------------------------|---------|---------|----------------|----------------|----------------|----------------|
| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Department of Commerce | | | | | | |
| Acquisition | 0 | 0 | 0 | 0 | 0 | 0 |
| Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | (22,381,250) | (89,400,000) | (89,400,000) | (89,400,000) |
| Department of Health | | | | | | |
| Acquisition | 0 | 0 | 0 | 0 | 0 | 0 |
| Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total \$ | \$0 | \$0 | \$(22,381,250) | \$(89,400,000) | \$(89,400,000) | \$(89,400,000) |

| | | |
|---------------------------------------|---------------------------------|---|
| Prepared by: Myra Baldini, OFM | Phone: (360) 902-0525 | Date Published: Revised 2/29/2016 |
|---------------------------------------|---------------------------------|---|

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 44326

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

| | | |
|--------------------------------|--|--|
| Bill Number: 5251 2E SB | Title: Public water syst assistance | Agency: 090-Office of State Treasurer |
|--------------------------------|--|--|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

NONE

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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|-------------------------------|-----------------------|------------------|
| Legislative Contact: | Phone: | Date: 02/25/2016 |
| Agency Preparation: Dan Mason | Phone: 360-902-9090 | Date: 02/29/2016 |
| Agency Approval: Dan Mason | Phone: 360-902-9090 | Date: 02/29/2016 |
| OFM Review: Gwen Stamey | Phone: (360) 902-9810 | Date: 02/29/2016 |

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.

2ESB 5251 abolishes the drinking water assistance repayment account and renames the drinking water assistance administrative account.

Assumption: The drinking water assistance administrative account is renamed the drinking water assistance administrative subaccount.

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.

Projected cash flows are currently unavailable, therefore, estimated earnings from investments are indeterminable.

Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period under review. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

Based on the February 2016 revenue forecast, assume approximately \$6,800 in FY 17, \$20,000 in FY 18, \$30,000 in FY 19, \$31,000 in FY 20 and \$31,000 in FY 21 in net earnings would be gained or lost annually for every \$1 million shift in average daily cash balances.

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.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

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.

Individual State Agency Fiscal Note

| | | |
|--------------------------------|--|---|
| Bill Number: 5251 2E SB | Title: Public water syst assistance | Agency: 103-Department of Commerce |
|--------------------------------|--|---|

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

| | FY 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|--|---------|---------|---------|-----------|-----------|
| FTE Staff Years | 0.0 | 0.0 | 0.0 | (3.0) | (3.7) |
| Account | | | | | |
| Drinking Water Assistance Administrative Account-State 05R-1 | 0 | 0 | 0 | (552,500) | (884,000) |
| Total \$ | 0 | 0 | 0 | (552,500) | (884,000) |

Estimated Capital Budget Impact:

| | 2015-17 | | 2017-19 | | 2019-21 | |
|-----------------|---------|---------|----------------|----------------|----------------|----------------|
| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Acquisition | 0 | 0 | 0 | 0 | 0 | 0 |
| Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | (22,381,250) | (89,400,000) | (89,400,000) | (89,400,000) |
| Total \$ | \$0 | \$0 | \$(22,381,250) | \$(89,400,000) | \$(89,400,000) | \$(89,400,000) |

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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|----------------------------------|-----------------------|------------------|
| Legislative Contact: | Phone: | Date: 02/25/2016 |
| Agency Preparation: Ann Campbell | Phone: 360-725-3153 | Date: 02/26/2016 |
| Agency Approval: Mark Barkley | Phone: 360-725-3022 | Date: 02/26/2016 |
| OFM Review: Myra Baldini | Phone: (360) 902-0525 | Date: 02/26/2016 |

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.

This bill has been updated from the version of the bill that was introduced and considered in the 2015 session. The prior version of the bill anticipated that, during FY17, the contracts for the current loans in the drinking water assistance program and the funding for the administration of those contracts would be transferred from the public works board to the Department of Health under the terms of a memorandum of understanding between the two agencies. At this time, a memorandum of agreement has not yet been adopted.

This bill changes the end date of the transition period for the administration of drinking water assistance contracts from June 30, 2017, to June 30, 2018, recognizing that part of the transition of administrative responsibility for these contract that was expected to take place in FY17 will now occur in FY18 and changes the deadline for the adoption of a memorandum of understanding between the agencies covering the transfer process from December 31, 2015, to December 31, 2016. There are currently 516 drinking water project contracts being administered by the Public Works Board with an additional 40 contracts expected to be finalized in June, 2016.

Summary of the second engrossed bill:

Section 1(1) eliminates the joint administration of the drinking water assistance program by the Departments of Health, the Department of Commerce, and the Public Works Board. During the transition period in FY18, expenditures from the drinking water assistance account may be made by the Secretary of Health, the Public Works Board, or the Department of Commerce. Beginning in FY19, the drinking water assistance program will be administered solely by Health and expenditures from the drinking water assistance account may only be made by the Secretary of Health.

Section 1(3) requires that by December 31, 2016, Health, Commerce, and the Public Works Board develop a memorandum of understanding providing for the transfer of the financial administration of the drinking water assistance program as authorized under subsection 1(1).

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.

NONE

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.

Section 1

ASSUMPTIONS: Commerce assumes that funding for the administration of all the current contracts in FY18 will be appropriated to the Department of Health and that a portion of those funds will be transferred by Health to the Department of Commerce during the fiscal year through an interagency agreement for the financial administration of the contracts before they are amended, assigned, and transferred to the Department of Health. For the purposes of this fiscal note, Commerce assumes that one-half of the existing contracts will be assigned to Health on December 31, 2017, an additional one-quarter on March 31, 2018, and the remainder on June 30,

2018, although the actual transfer of contracts and a proportionate amount of funding for administering the contracts would be governed by the terms of the memorandum of understanding adopted under subsection 1(3) of the bill.

FTE Salaries and Benefits:

The department estimates a reduction of 0.8 FTE in FY18 (as the administration of drink water assistance contract or transferred to the Department of Health) and a reduction of 3.4 FTE in each fiscal year of FY19-21.

FY18: (\$73,442)

FY19-21: (\$312,129) each fiscal year

Goods and Other Services (G&S):

FY18: (\$37,058)

-- Standard G&S (\$31,268)

-- Space and utilities (\$5,790)

FY19-21: (\$129,871) each fiscal year

-- Standard G&S (\$105,262)

-- Space and utilities (\$24,609)

Note: Standard goods and services costs include supplies and materials, employee development and training, mandatory state seat of government and Department of Enterprise Services charges, and Commerce agency administration. Commerce administration provides general governmental services including, but not limited to: administration, management, financial services, human resources, information technology, facilities management, public affairs and Interagency Payments. The department is in the process of seeking federal approval for a revised indirect rate for the cost allocation of administrative costs. If approved, the department intends to use the same rates and basis for allocating administrative costs for state grant programs. The cost estimate in this fiscal note represents the currently approved indirect rate and is subject to change.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|--------------------------------------|---------|---------|---------|-------------|-------------|
| FTE Staff Years | | | | (3.0) | (3.7) |
| A-Salaries and Wages | | | | (285,113) | (461,612) |
| B-Employee Benefits | | | | (100,458) | (162,646) |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | | | | (166,929) | (259,742) |
| G-Travel | | | | | |
| J-Capital Outlays | | | | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total: | \$0 | \$0 | \$0 | (\$552,500) | \$(884,000) |

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 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|------------------------------------|---------|---------|---------|---------|---------|---------|
| Administrative Services - Indirect | 69,552 | | | | (0.3) | (0.3) |
| Commerce Specialist 3 | 67,884 | | | | (2.8) | (3.4) |
| Total FTE's | 137,436 | | | | (3.0) | (3.7) |

III. C - Expenditures By Program (optional)

| Program | FY 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|--|---------|---------|---------|-----------|-----------|
| Agency Administration (Indirect) (100) | | | | (134,950) | (218,490) |
| Local Government (600) | | | | (417,550) | (665,510) |
| Total \$ | | | | (552,500) | (884,000) |

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

| Construction Estimate | FY 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|-----------------------|---------|---------|---------|---------------|---------------|
| Acquisition | | | | | |
| Construction | | | | | |
| Other | | | | (111,781,250) | (178,800,000) |
| Total \$ | | | | (111,781,250) | (178,800,000) |

Section 1

ASSUMPTIONS: Commerce assumes that one-half of the existing contracts will be assigned to Health on December 31, 2017, an additional one-quarter on March 31, 2018, and the remainder on June 30, 2018, although the actual transfer of contracts and a proportionate amount of funding for administering the contracts would be governed by the terms of the memorandum of understanding adopted under subsection 1(3) of the bill.

Commerce estimates the following reductions in capital expenditures from the drinking water assistance account (04R) beginning in FY18.

FY18: (\$22,381,250)

FY19: (\$89,400,000)

FY20: (\$89,400,000)

FY21: (\$89,400,000)

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.

NONE

Individual State Agency Fiscal Note

Revised

| | | |
|--------------------------------|--|---|
| Bill Number: 5251 2E SB | Title: Public water syst assistance | Agency: 303-Department of Health |
|--------------------------------|--|---|

Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

| | FY 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|---------------------------|---------|---------|---------|----------|-----------|
| FTE Staff Years | 0.0 | 0.0 | 0.0 | 3.9 | 4.6 |
| Account | | | | | |
| Drinking Water Assistance | 0 | 0 | 0 | (89,000) | (878,000) |
| Account-Federal 04R-2 | | | | | |
| Total \$ | 0 | 0 | 0 | (89,000) | (878,000) |

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.

| | | |
|------------------------------------|-----------------------|------------------|
| Legislative Contact: | Phone: | Date: 02/25/2016 |
| Agency Preparation: Jodine Sorrell | Phone: 360-236-3015 | Date: 02/26/2016 |
| Agency Approval: Stacy May | Phone: 360-236-4532 | Date: 02/26/2016 |
| OFM Review: Bryce Andersen | Phone: (360) 902-0580 | Date: 02/29/2016 |

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.

This fiscal note has changed since the previous fiscal note completed on 5251 ESB in the 2015 session. Dates in section 1(1) and (3) were updated to reflect the passage of one year since the last fiscal note. Therefore, expenditures previously shown in fiscal year 2016 have been removed and other costs are moved forward. Section 1(1) allows the Department of Commerce (COM) to spend from the Drinking Water account until July 1, 2018, rather than July 1 2017. Section 1(3) changes the MOU due date from December 31, 2015, to December 31, 2016.

Note: Commerce's funding to administer the program comes from both an interagency agreement from the Department of Health of \$629,000 per year and a direct appropriation from Fund 05R of 884,000 per biennium. The \$629,000 won't show in the Commerce fiscal note because it is offset by the interagency agreement. However, the direct appropriation will show up in the Commerce fiscal note (beginning in fiscal year 2018).

Section 1: Authority for the Drinking Water program to be jointly administered by The Department of Health (DOH), the Department of Commerce (COM) and the Public Works Board (PWB) is removed. The Drinking Water program will be administered solely by the DOH.

Section 1(1): Effective July 1, 2018, expenditures from the Drinking Water Assistance Account may only be made by the Secretary of Health. The Drinking Water Assistance Repayment Account is eliminated.

Section 1(3): By December 31, 2016, DOH, COM and the PWB shall develop a memorandum of understanding to transfer financial administration of the Drinking Water program to DOH.

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.

Section 1: Transfers financial administration activities of the Drinking Water State Revolving Fund from COM to DOH per the memorandum of understanding required in section 1(3); however, there is no net revenue impact to the state as a result of this bill.

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.

DOH currently funds COM's 4.8 existing FTE and associated costs through an inter-agency agreement. In fiscal year (FY) 2018, this inter-agency agreement of \$622,000 per FY will begin a gradual reduction, and be discontinued entirely by FY 2020. Transitioning workload and staffing costs to DOH will begin in FY 2018. DOH's FTE assumptions are based on previous similar work, both at DOH and COM.

In FY 2018, DOH will require 2.0 FTE Environmental Specialist 3 (ES), increasing to 3.0 FTE ES 3 in FY 2019 and ongoing, to evaluate grant and loan applications, inspect projects in the field, and collaborate with funding recipients; 0.5 Health Services Consultant 2 (HSC) to assist with loan contract administration; and 0.5 FTE Information Technology Specialist 3 for integration of the Loans and Grants Tracking System.

In addition, estimated expenditures include 0.2 FTE in FY 2018 and 0.8 FTE in FY 2019 to assist with increased division and agency workload, as well as \$25,000 in FY 2018 and ongoing to support a Loans and Grants Tracking System vendor to provide training, installation support, and operation and maintenance costs.

Total costs for FY 2018 – are 3.2 FTE and \$118,000 (\$118,000 includes efficiency savings). Expenditures for FY 2018 are one time, although FTE will be 4.6 annually in outgoing years.

The combined impact from consolidating the DWSRF program into a single-agency administered program will result in net savings beginning in fiscal year 2019. Efficiencies will be garnered by streamlining the program into one process, reducing the coordination necessary to implement the program (i.e. coordinating between multiple agencies' accounting codes, operational structures and executive leadership).

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|--------------------------------------|---------|---------|---------|------------|-------------|
| FTE Staff Years | | | | 3.9 | 4.6 |
| A-Salaries and Wages | | | | 459,000 | 478,000 |
| B-Employee Benefits | | | | 138,000 | 144,000 |
| C-Professional Service Contracts | | | | 50,000 | 50,000 |
| E-Goods and Other Services | | | | (171,000) | (318,000) |
| G-Travel | | | | 12,000 | 12,000 |
| J-Capital Outlays | | | | 7,000 | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | (598,000) | (1,258,000) |
| P-Debt Service | | | | | |
| T-Intra-Agency Reimbursements | | | | 14,000 | 14,000 |
| 9- | | | | | |
| Total: | \$0 | \$0 | \$0 | (\$89,000) | \$(878,000) |

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 2016 | FY 2017 | 2015-17 | 2017-19 | 2019-21 |
|--------------------------|---------|---------|---------|---------|---------|---------|
| ENVIRONMENTAL SPECIALIST | 53,148 | | | | 2.5 | 3.0 |
| 3 | | | | | | |
| Fiscal Analyst 2 | 45,828 | | | | 0.3 | 0.5 |
| HEALTH SERVICES | 54,504 | | | | 0.5 | 0.5 |
| CONSULTANT 2 | | | | | | |
| Health Svcs Conslt 1 | 44,712 | | | | 0.2 | 0.3 |
| INFORMATION TECH SPEC 3 | 66,420 | | | | 0.5 | 0.3 |
| Total FTE's | 264,612 | | | | 3.9 | 4.6 |

Part IV: Capital Budget Impact

NONE

Section 1(1): Effective July 1, 2018, expenditures from the Drinking Water Assistance Account may only be made by the Secretary of Health. Therefore beginning in fiscal year 2018, DOH will assume the responsibility from COM to make loan payment expenditures.

Net operating budget savings will be re-allocated to the capital budget for water system loans. The amount estimated to be re-allocated to the capital budget is \$201,000 in fiscal year 2019 and \$431,000 annually thereafter.

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(5): Requires DOH to adopt rules necessary to administer the program. This rulemaking effort is estimated to require less than 0.1 FTE and falls within current workload; therefore, there are no additional costs for rulemaking.

Appendix A - Fiscal Summary
Consolidate Drinking Water State Revolving Fund (DWSRF) Loan Contract Administration

Drinking Water State Revolving Fund
Transition Costs and Savings

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | Total |
|---|------------|---------|-----------|-----------|-----------|-----------|-------------|
| Commerce Interagency Agreement ¹ | | | (171,000) | (427,000) | (629,000) | (629,000) | (1,856,000) |
| DOH Staffing Costs | | | 339,000 | 427,000 | 399,000 | 399,000 | 1,564,000 |
| Indirect Cost Savings Estimate ² | | | (50,000) | (201,000) | (201,000) | (201,000) | (653,000) |
| Totals | | | (118,000) | (201,000) | (431,000) | (431,000) | (945,000) |

Notes:

1. Includes 1.2% agency pass through indirect currently charged on the Commerce Administration Interagency Agreement (IAA).
2. Indirect Cost Savings Estimates based on average of capital project dollars since 2010. This estimate reflects the cost savings of the 1.2% indirect rate charged on the Capital IAA with Commerce.

Notes:

Commerce Interagency Agreement: DOH currently funds Commerce administrative costs through IAA. Transitioning workload to DOH will begin in fiscal year (FY) 2018. Administrative costs previously included in the IAA with COM will be reduced. In FY 2018, this inter-agency agreement will include funding to administer existing DWSRF loans. In FY 2019, Commerce will retain sufficient funding to close out the 2017-19 biennium and transition the remaining contracts and revenue collection activities to DOH. The agreement will be discontinued entirely in FY 2020.

DOH Staffing Costs: In FYs 2018 and 2019 DOH will develop resources to: manage infrastructure grants and loans; assist with increased division and agency workload; and accommodate the information technology needs of the infrastructure loan program.

Indirect Cost Savings Estimate: The Federal portion of the DWSRF infrastructure loans, averaging \$17M/FY, is currently passed from DOH to Commerce via interagency agreement. DOH is required to charge pass-through indirect of 1.2%, equal to \$201,000/FY on average. This indirect will not be required on infrastructure loans when DOH administers the loans, resulting in an operational cost savings. This savings will be used to provide increased funding in the capital budget for loans to improve Washington's drinking water infrastructure.

Savings resulting from this transition, estimated at an ongoing \$862,000/biennium, will be used to provide increased funding in the capital budget for loans to improve Washington's drinking water infrastructure.