

Multiple Agency Fiscal Note Summary

Bill Number: 1906 S HB	Title: Water system rates
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Estimated Cash Receipts

NONE

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Utilities and Transportation Commission	1.4	0	0	546,713	.8	0	0	307,380	.8	0	0	307,380
Department of Health	5.0	1,577,000	1,577,000	1,577,000	4.0	1,244,000	1,244,000	1,244,000	4.0	1,244,000	1,244,000	1,244,000
Total \$	6.4	1,577,000	1,577,000	2,123,713	4.8	1,244,000	1,244,000	1,551,380	4.8	1,244,000	1,244,000	1,551,380

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Health	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 3/ 5/2025
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Individual State Agency Fiscal Note

Bill Number: 1906 S HB	Title: Water system rates	Agency: 215-Utilities and Transportation Commission
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.1	0.8	1.4	0.8	0.8
Account					
Public Service Revolving Account-State 111-1	393,023	153,690	546,713	307,380	307,380
Total \$	393,023	153,690	546,713	307,380	307,380

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: 02/25/2025
Agency Preparation: Michelle Parish	Phone: 360-664-1158	Date: 02/27/2025
Agency Approval: Kim Anderson	Phone: 360-664-1153	Date: 02/27/2025
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 02/28/2025

Part II: Narrative Explanation

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

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

Section 2 would allow water system owners to have their water samples checked by the jurisdictional health department without the requirement of hiring or contracting for services with a satellite management agency.

Section 3

(b) the water system plan submitted under RCW 43.20.260 shall include all capital improvement projects necessary for the system for at least the next 10 years.

The substitute removed the requirement that water system plans be submitted every three years and replaced that with language that says the Dept. of Health may require a public water system to update its system plan on an interval of less than 10 years. It is not clear if this language intends that DOH will establish a fixed interval for certain companies to file every three years, or every five years, or if the intent is for DOH to require an updated plan when the department determines one is needed.

For the substitute it is assumed that plans will be filed at the request of DOH or upon the decision of the water company. Under this assumption there would be no increased costs compared to current workload, or minimal increased costs spread out over more than a biennium. So no fiscal impact is associated with this change.

The commission currently reviews water system plans under a memorandum of understanding (MOU) with the Department of Health, office of Drinking Water, to determine financial feasibility of the planned infrastructure implementation. These reviews include a review of the company's financial position and access to capital, based on data submitted in its annual report filed with the commission as well as data requests issued by staff. Plans often serve as the basis for implementing funding mechanisms such as surcharges and capital facilities charges, as well as providing information for rate increase filings. The commission currently reviews three to four water system plans per year. It currently regulates 49 investor-owned water companies, the largest of which operates approximately 230 individual systems.

In addition, staff would have to determine, in conjunction with DOH, whether the capital improvements identified in the plan are "necessary" for the system, or potentially not include those costs in any subsequent rate increase requests seeking to recover those costs. This requirement could put staff at odds with DOH over whether these capital projects are "necessary" or not. Further, there is no mention in this section of what constitutes emergency replacements of operating equipment such as pumps, filtration systems, valves, meters, etc. or what constitutes an emergency capital project, although the measure later mentions a "waiver process" for emergency improvements.

Section 4(1) Prior to approving any transaction under this section that would result in a change of a controlling interest in a water company, the commission shall verify that the company has provided notification to the customers of the company and provided the customers with a right of first refusal to purchase the water system.

Customer notice requirements are currently outlined in WAC 480-110-425 and 480-143-210. However, the requirement that a company wishing to sell or transfer stock, or outright ownership must give first right of refusal to customers would most likely delay the commission approving such transfers, which could be detrimental to customers for systems in need of repair or investment. There is also no discussion of what constitutes "customers". In its review of sale and transfers of water companies, systems, and assets, the commission must determine that the acquiring entity has the financial resources and fitness to provide water service to the satisfaction of the commission. Such occurrences are not predictable so it is unknown what impact this would have on commission processes other than potentially to delay approval while a determination is made as to whether "customers" have sufficient resources to provide water service. Also, since the commission regulates investor-owned utilities, a customer co-op or HOA taking over operation of a water system would remove that system from regulation by the commission, and could decrease consumer protections.

Section 5

- (1) Directs the commission to adopt rules that establish a structure for incorporating the allowable cost of capital in the determination of rates or charges under this chapter that:
- (a) Establishes a return on equity ceiling and total rate of return ceiling of seven percent, respectively;
 - (b) Requires a detailed analysis and justification for any proposed return on equity or total rate of return greater than five percent;
 - (c) Accounts for any federal, state, or other external funding sources for system improvements;
 - (d) Requires all capital improvement projects to be included in the water system plan approved by the department of health and provides for a waiver process for emergency improvements that are necessary for public health and safety;
 - (e) Considers the extent to which the water company provided notice of planned capital projects to consumers and the impact of the projects on rates;
 - (f) Promotes rate smoothing and the avoidance of excessive or sudden rate changes; and
 - (g) Requires that, for a consolidated system, any capital improvement costs that are attributable to one system that exceed the capital improvement costs of a dissimilar system within the consolidated system by more than five percent may not be included in single tariff pricing for the entire consolidated system.

Although commission rules do not currently contain specific calculations for rate of return, return on equity, discussion of rate smoothing, avoidance of excessive or sudden rate changes, or single tariff pricing, the commission has relied on over 80 years of commission orders, superior and district court determinations and federal court determinations regarding regulatory treatment of plants and assets and rate setting in general. These requirements set up situations where based on economic conditions, such as high inflation, or high returns on equity investment from other industries exceed the five percent cap. Currently, reviews of proposed rate increases are processed informally in 30 days from receipt of the filing. The informal review process allows staff and the company to agree on changes to the proposed rates without resorting to the formal litigated process. The commission has only processed three litigated water rate cases in the past 10 years; this measure could result in more litigations, resulting in more costs to customers, and require more staff resources. It is not possible to project how many litigations the commission would experience, one per year would result in at least 700 hours for regulatory services staff and approximately 350 additional hours for Administrative Law staff, Records Center staff and Consumer Protection staff. There would also be additional costs for the Attorney General's office, including those attorney's supporting the commission and also the Public Counsel Division which represents utility customers at large before the commission.

The requirement in Section 5(g) would also necessitate additional analysis during rate cases of companies that are comprised of multiple different systems. As referenced above, the largest water utility regulated by the commission is comprised of approximately 230 individual systems, and charges rates under two separate tariff schedules. The seven percent excess investment threshold described in Section 5(g) would require individual analysis of each of these 230 systems to determine whether this threshold is met and by which system. This would likely result in the need to break apart many of these systems into individual tariff schedules, which must be separately maintained, accounted for, and analyzed individually in each subsequent rate case. This will add additional Staff time in some cases and may necessitate adjudication of such cases due to the amount of time needed to analyze and process the filings.

Water companies regulated by the commission range from large corporations with investor-owned parent companies serving over one thousand customers, down to individual owners serving as few as ten customers. Companies do not earn any profit margin on annual operating expenses and instead earn a rate of return on their investment in capital assets over the life of the assets. Due to the historical cost approach utilized by the commission, the actual rate of return earned by companies is typically less than its allowed rate of return due to subsequent increases in operating costs and the regulatory lag inherent to the process. Return on equity has been used as an incentive to invest in water systems instead of more economically viable investments such as the stock market. Additionally, the commission has favored larger, more stable companies absorbing small, failing companies in order to preserve quality and quantity of water service. This measure would require commission staff to determine alternate ways of incentivizing investment in small systems that may not be financially feasible. At a minimum, this measure would require a complex rulemaking by the commission as directed in

Section 5(1).

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

UTC assumes no cash receipts will go to UTC as a result of this legislation.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 5 (1) would require a complex rulemaking.

FY26 \$239,332

(Administrative Law Judge, 0.17 FTE; Commissioner, 0.05 FTE; Consumer Program Specialist 3, 0.31 FTE; Deputy Director | Telco, Water, and Transportation, 0.05 FTE; Director Regulatory Services, 0.05 FTE; Paralegal 1, 0.07 FTE; Policy Advisor/Transportation, 0.13 FTE; Regulatory Analyst 2, 0.05 FTE; Regulatory Analyst 3, 0.31 FTE; Attorney General, 0.19 FTE)

The remainder of Section 5 would require at a minimum one additional litigated case per year of 1,580 additional hours, plus additional costs for attorney general staff.

FY26-FY31 \$153,690 Annually

(Regulatory Analyst 3, 0.19 FTE; Consumer Program Specialist 3, 0.02 FTE; Section Manager/Water and Transportation, 0.02 FTE; Deputy Director/Water and Transportation, 0.02 FTE; Director, Regulatory Services, 0.01 FTE; Administrative Law Judge, 0.14 FTE; Paralegal 2, 0.02 FTE; Policy Advisor, 0.14 FTE; Assistant Attorney General, 0.19 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
111-1	Public Service Revolving Account	State	393,023	153,690	546,713	307,380	307,380
Total \$			393,023	153,690	546,713	307,380	307,380

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.1	0.8	1.4	0.8	0.8
A-Salaries and Wages	267,363	104,552	371,915	209,104	209,104
B-Employee Benefits	93,576	36,592	130,168	73,184	73,184
C-Professional Service Contracts					
E-Goods and Other Services	32,084	12,546	44,630	25,092	25,092
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 \$	393,023	153,690	546,713	307,380	307,380

III. C - Operating FTE 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 2026	FY 2027	2025-27	2027-29	2029-31
Administrative Law Judge	115,008	0.3	0.1	0.2	0.1	0.1
Attorney General	237,600	0.4	0.2	0.3	0.2	0.2
Commissioner	149,532	0.1		0.0		
Cons Prog Spec 3	72,924	0.3	0.0	0.2	0.0	0.0
Deputy Director, Telco, Water & Trans	126,408	0.1	0.0	0.1	0.0	0.0
Director, Regulatory Services	144,108	0.1	0.0	0.0	0.0	0.0
Paralegal 1	71,148	0.1		0.0		
Paralegal 2	78,468	0.0	0.0	0.0	0.0	0.0
Policy Advisor, Transportation	107,124	0.3	0.1	0.2	0.1	0.1
Regulatory Analyst 2	88,800	0.1		0.0		
Regulatory Analyst 3	100,524	0.5	0.2	0.4	0.2	0.2
Section Manager, Water and Transp	110,700	0.0	0.0	0.0	0.0	0.0
Total FTEs		2.1	0.8	1.5	0.8	0.8

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 5(1) directs the commission to adopt rules to implement this measure. This would be a complex rulemaking that would have to be conducted in FY26 before any filings could be processed.

Individual State Agency Fiscal Note

Bill Number: 1906 S HB	Title: Water system rates	Agency: 303-Department of Health
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Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	5.3	4.6	5.0	4.0	4.0
Account					
General Fund-State 001-1	850,000	727,000	1,577,000	1,244,000	1,244,000
Total \$	850,000	727,000	1,577,000	1,244,000	1,244,000

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: 02/25/2025
Agency Preparation: Katie Osete	Phone: 3602363000	Date: 02/26/2025
Agency Approval: Kristin Bettridge	Phone: 3607911657	Date: 02/26/2025
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/28/2025

Part II: Narrative Explanation

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

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

This substitute version changes how often water systems must submit their system plans for review from every 3 years to every 10 years.

Section 3: Public water systems will submit a current water system plan at least every ten years to the Department of Health (DOH). The plans will include all capital improvement projects necessary for the system for the next ten years. DOH staff will review and evaluate these plans to ensure they are consistent with the requirements of any comprehensive plans or development regulations adopted under chapter 36.70A RCW.

Section 2(7) & 3(1)(b): The State Board of Health (The Board) will need to revise both Group A and Group B water system rules to allow water system owner/ operators to have their water samples checked by local health jurisdictions rather than hiring or contracting with SMAs to conduct required water quality sampling.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

N/A

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 3:

Plan Review DOH:

Assumptions:

- There are approximately 2,400 municipal water systems subject to this bill. This includes an estimated number of Non-Transient Non-Community (NTNC) and Transient Non-Community (TNC) systems.
- DOH will conduct an additional 240 water plan reviews per year to ensure 2,477 waters systems are reviewed every ten years.

2.0 FTE Environmental Planner 3 (EP3) and 1.0 FTE Environmental Engineer 3 (EE3) are required to review water system plans starting in FY 2026 and ongoing. Water system plans have different elements that require both environmental engineer and environmental planner examination.

1.0 FTE Program Assistant (PA) is required in FY 2026 and is ongoing. This FTE will process the intake of approximately 2 work plans per day, track time and billing, and process public disclosure requests. In addition, the PA will complete follow-up work after the plan reviews, including letters and other communications.

DOH Plan Review costs for FY 2026: 4.0 FTE and \$638,000

DOH Plan Review costs for FY 2027 and ongoing: 4.0 FTE and \$622,000

Rulemaking Assumptions:

Section 2(7) & 3(1)(b): The Board, with support from DOH, must amend both Group A and Group B water system rules to allow water system owner/ operators to have their water samples checked by jurisdictional health departments rather than hiring or contracting with SMAs to conduct required water quality sampling. The Board and DOH anticipate utilizing a significant rulemaking process in accordance with the Administrative Procedures Act. To implement the requirements of the

bill, the Board would consider adopting requirements that jurisdictional health departments must follow to check water samples for water systems and update existing rules to require water system plans every three years. The Board anticipates conducting extensive engagement with interested and impacted parties to develop the rules and will include at least eight listening sessions and rules workshops (four virtual and four in-person). The Board, in collaboration with DOH, will engage with water systems, state and local government agencies, community members, and other interested parties. In addition to the extensive engagement, the Board will also hold a hybrid formal rule hearing. The Board anticipates providing English, Spanish, and ASL interpretation services for all listening sessions, rules workshops, and the rules hearing. All written materials will be translated into the top three languages in Washington to ensure an equitable rulemaking process. This rulemaking may be subject to a cost-benefit analysis, environmental justice assessment, and small business economic impact statement. The Board anticipates this rulemaking will take approximately 24 months to complete.

DOH Rulemaking Costs:

- 0.2 FTE Environmental Planner 3 to answer technical questions, provide guidance and support on rule writing, and take notes during meetings.
- 0.2 FTE Environmental Planner 4 to provide technical guidance and subject matter expertise, support coordination with interested parties, and assist with meetings.
- 0.2 FTE WMS 2 to supervise staff and oversee rulemaking activities, present during meetings, and draft and review rule language.
- 16 hours of Assistant Attorney General time to review and advise on rulemaking.

Travel Costs for four in-person meetings:

- Two subject matter experts from DOH will meet with interested parties four times during the rulemaking process.
- Meeting space will be provided by local health partners at no cost.
- Meetings will be held in four locations: Spokane, Everett, Vancouver, and Yakima.
- Staff will carpool in state vehicles.
- All assumptions for costs in the fiscal note are based on similar rulemaking with similar work that the DOH has completed in the past.

Spokane:

2 staff X \$212 per diem meals and lodging = \$424

Everett:

2 staff X \$22 per diem lunch = \$44

Vancouver:

2 staff X \$25 per diem lunch = \$50

Yakima:

2 staff X \$178 per diem meals and lodging = \$356

Attorney General costs will be \$1,000 in FY 2026 and \$1,000 in FY 2027.

DOH rulemaking costs for FY 2026: 0.3 FTE and \$57,000

DOH rulemaking costs for FY 2027: 0.3 FTE and \$56,000

The Board Rulemaking Costs:

This work is not currently in the Board's workplan. The Board will require:

- 0.3 FTE Management Analyst 5 (MA5) for FY 2026 and 0.2 FTE in FY 2027. The MA5 is responsible for carrying out rule development and assuring compliance with the procedural and analytical requirements of the Administrative Procedures

Act and Regulatory Fairness Act. They will coordinate this effort with DOH staff, providing regular briefings to the Board and coordinating statewide listening sessions and rule writing workshops to engage affected and interested parties.

- 0.3 FTE Management Analyst 4 (MA4) for FY 2026. The MA4 will determine appropriate strategies to identify and engage with diverse community organizations, groups, and individuals across the state. They will attend and provide support at meetings and events, share information about the work, help develop statewide outreach and engagement strategies to raise awareness of the work, and share information about rule development and engagement opportunities. In addition, they will coordinate language access activities, including interpreters and translation of materials, overseeing community compensation as resources allow.
- 0.1 FTE Administration Assistant 3 (AA3) for FY 2026 and FY 2027. The AA3 will schedule meetings, process payment of contracts, prepare A-19s for payment, make travel arrangements, and facilitate community compensation.
- 0.3 FTE Communications Consultant 3 (CC3) for FY 2026. The CC3 is responsible for public meeting production and coordination. They will provide multimedia production support to all hybrid meetings, proof-read and edit meeting documents and recommendations, and support community engagement activities. They are responsible for external digital communications (writing, editing and reviewing content for social media channels, website management and updates, and assuring all communications are culturally responsive, linguistically inclusive, and fully accessible), working with subject matter experts (SMEs) to research and draft responses to media inquiries, manages record retention and public records requests and responses, and archiving records consistent with record retention schedules.
- Language Access costs: \$3,360 (2 Adult Sign Language (ASL) interpreters, each at \$105 per hour for 8, two-hour meetings).
- Spanish language Interpretation: \$3,040 (2 interpreters, each at \$95 per hour for 8 two-hour meetings).
- Translation services: \$1,230 (\$246 per document for 5 documents (translated into top 3 languages that average 300 words)
- 8 hours of Assistant Attorney General time (\$1,000) in FY 2026.

Travel required for Board interested parties meetings: total \$737 in FY 2026 and \$737 in FY 2027.

Assumptions:

- Two subject matter experts from the Board will meet with interested parties four times during the rulemaking process.
- Meeting space will be provided by local health partners at no cost.
- Meetings will be held in four locations: Spokane, Everett, Vancouver, and Yakima.
- Staff will carpool in state vehicles as much as possible.
- All assumptions for costs in the fiscal note are based on similar rulemaking with similar work that the Board has completed in the past.

Spokane:

2 staff X \$212 per diem meals and lodging = \$424

2 staff X \$300 for flight = \$600

Everett:

2 staff X \$22 per diem lunch = \$44

Vancouver:

2 staff X \$25 per diem lunch = \$50

Yakima:

2 staff X \$178 per diem meals and lodging = \$356

SBOH rulemaking costs for fiscal year 2026: 1.0 FTE and \$155,000

SBOH rulemaking costs for fiscal year 2027: 0.3 FTE and \$49,000

Total costs for this fiscal note:

FY 2026: 5.3 FTE and \$850,000 (GF-S)

FY 2027: 4.6 FTE and \$727,000 (GF-S)
 FY 2028 and ongoing: 4.0 FTE and \$622,000 (GF-S)

Total costs can include staff, associated expenses (including goods and services, travel, intra-agency, and indirect/overhead costs.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	850,000	727,000	1,577,000	1,244,000	1,244,000
Total \$			850,000	727,000	1,577,000	1,244,000	1,244,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	5.3	4.6	5.0	4.0	4.0
A-Salaries and Wages	442,000	384,000	826,000	658,000	658,000
B-Employee Benefits	164,000	142,000	306,000	246,000	246,000
E-Goods and Other Services	177,000	157,000	334,000	266,000	266,000
G-Travel	1,000	1,000	2,000		
J-Capital Outlays	17,000		17,000		
T-Intra-Agency Reimbursements	49,000	43,000	92,000	74,000	74,000
Total \$	850,000	727,000	1,577,000	1,244,000	1,244,000

III. C - Operating FTE 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 2026	FY 2027	2025-27	2027-29	2029-31
ADMINISTRATIVE ASSISTANT 3	54,204	0.1	0.1	0.1		
COMMUNICATIONS CONSULTANT 3	71,148	0.3		0.2		
ENVIRONMENTAL ENGINEER 3	105,612	1.0	1.0	1.0	1.0	1.0
ENVIRONMENTAL PLANNER 3	86,712	2.1	2.1	2.1	2.0	2.0
ENVIRONMENTAL PLANNER 4	95,652	0.1	0.1	0.1		
MANAGEMENT ANALYST 4	88,800	0.3		0.2		
MANAGEMENT ANALYST 5	98,040	0.3	0.2	0.3		
Program Assistant	50,328	1.0	1.0	1.0	1.0	1.0
WMS02	122,496	0.1	0.1	0.1		
Total FTEs		5.3	4.6	5.0	4.0	4.0

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Division of Environmental Public Health (020)	609,609	594,000	1,203,609	1,090,000	1,090,000
Administration (090)	107,000	91,000	198,000	154,000	154,000
State Board of Health (100)	134,000	42,000	176,000		
Total \$	850,609	727,000	1,577,609	1,244,000	1,244,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

N/A

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 2(7) & 3(1)(b): The Board, with support from DOH, will amend both Group A and Group B water system rules to allow water system owner/ operators to have their water samples checked by local health jurisdictions rather than hiring or contracting with SMAs to conduct required water quality sampling.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1906 S HB

Title: Water system rates

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: City water purveyors required to submit water system plans must submit these plans on a frequency determined by the Department of Health that is at least once every ten-years.
- ☒ Counties: Same as above for county water purveyors.
- ☒ Special Districts: Same as above for special district water purveyors. The Department of Health may exempt certain public water systems operated by a special district from the requirement to include all capital improvement projects its water system plans.
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☒ Key variables cannot be estimated with certainty at this time: The distribution of local government water system plans submitted to the Department of Health varies each year; costs for these plans vary by the size of the water system, public input, interdepartmental coordination, consultant and/or contractor use, and other factors.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 03/04/2025
Leg. Committee Contact:	Phone:	Date: 02/25/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/04/2025
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 03/05/2025

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This fiscal note reflects language in the substitute version of HB 1906, 2025 legislative session. The amendments to this bill are compared to the original version of HB 1906.

CHANGES FROM PRIOR BILL VERSION:

This substitute act would allow the Department of Health (department) to require a water system to update its water system plan more frequently than once every 10 years. The department may exempt a public water system that is owned and operated by a special district from the requirement to include all capital improvement projects in their water system plan.

SUMMARY OF CURRENT BILL:

This proposed substitute legislation would require public water systems to include details about long-range capital improvements in their planning materials, which must be submitted to the department on a frequency of less than once every 10 years. Special purpose districts that own or operate public water systems may be exempted from requirements to include all capital improvement projects in their water system plans at the discretion of department. Water system rules would be amended such that a water system owners/operators could have their water samples checked by local health jurisdictions rather than hiring or contracting with satellite management agencies (SMA) to conduct required water quality sampling.

Sec. 2 Authorizes the water systems to have water samples checked by jurisdictional health departments without requiring or contracting these services through a SMA.

Sec. 3 Requires water system plans to include all capital improvement projects over a 10-year time horizon, and the Department of Health would have the authority to require a water system plan be submitted to the department more frequently than once per decade. The department may exempt a public water system that is owned and operated by a special district from the requirement to include all capital improvement projects in their water system plan.

This act would go into effect 90 days after the session in which it is passed.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

EXPENDITURE CHANGES FROM PRIOR BILL VERSION:

This substitute act removes a prior requirement that all water system plans be submitted in three-year intervals. Instead, the substitute allows the Department of Health (department) to require a water system to update its water system plan more frequently than once every 10 years. The department can also exempt a public water system that is owned and operated by a special district from the requirement to include all capital improvement projects in their water system plan.

These changes to Sec. 3(1) would reduce the expenditure impact associated with the prior bill by as much as \$2.2 million per year. However, the department has the discretion to require certain jurisdictions to increase the frequency of their water system plans to more than once per decade. There would still be an expenditure impact for local governments under this act, but the magnitude of the increase would depend on how many water system plans have expedited water system planning requirements placed on them by the Department of Health. The number of local governments, and the distribution between city, county, and special district water purveyors cannot be determined in advance and therefore the expenditure impact is indeterminate.

Additional indeterminate expenditure savings could be experienced by special district public water system purveyors that have certain capital facilities reporting requirements waived by the department under Sec. 3(1). The number of waivers

that would be granted by the department under this provision cannot be known in advance.

EXPENDITURE IMPACT OF CURRENT BILL:

This legislation would have indeterminate impacts on local governments.

Under this proposed substitute act there would be costs to update water systems plans on a frequency determined by the department which would be more frequent than every ten years. Some local governments conduct updates on a more frequent schedule than every decade, and there are others that conduct updates on ten-year intervals. Therefore, there would be additional costs for any public water system that was not on a more frequent update schedule, but over a longer time horizon when compared to the prior act. These costs would be indeterminate, vary by year, and cannot be predicted with precision due to their selection by the department.

The distribution of local government water system plans submitted to the Department of Health varies each year, and the costs vary by the size of the water system, public input, interdepartmental coordination, consultant and/or contractor use, and other factors.

Water System Planning Costs:

Water system plans are intended to demonstrate system capacity and demonstrate how the system will address present and future needs. These plans must address several elements, including: a description of the water system; basic planning data; demand forecasts; system analysis; water resource analysis; and other plans and documents.

Water system plans are required to have an identification of system deficiencies and a plan to address them, including a capital facilities plan, and a capital improvement program is a requirement of existing Group A water system plans. That capital improvement program must include a schedule that identifies all capital improvements within the plan approval period and any major projects or other capital improvements planned within at least a 20-year planning period.

In SB 5094 (2023), the Local Government Fiscal Note program identified a range of costs that local governments reported to conduct water system plan updates that varied based on the number of connections within the system.

Local government fiscal note program assumptions:

According to estimates from local governments, a complete water system plan update may have the following total costs ranges:

Small to medium sized water system with less than 10,000 connections – \$50k to \$100k, average \$75,000

Large water sized water system with more than 10,000 connections - \$100k to \$200k, average, \$150,000

Key costs of planning activities can vary widely by jurisdiction, and include size of the system, geography, internal capacity of the public works department and planning department, and other factors. Cost factors also include the length of time to complete planning activities, types of technical tasks required, number of consultant contracts used, and the types of public engagement used. All jurisdictions contacted for the SB 5094 (2023) local government fiscal note identified the use of contractors to complete their water system plans. This outreach also indicated that many smaller systems may try to meet the minimum requirements of water system planning requirements, while other small purveyors would spend significantly more. Larger systems may typically put in significant effort and spending.

Water Sampling Costs:

According to the Department of Health fiscal note for 1906 HB (2025) the State Board of Health would need to revise both Group A and Group B water system rules to allow water system owner/operators to have their water samples checked by local health jurisdictions rather than hiring or contracting with satellite management agencies (SMA) to conduct required water quality sampling. Rule making is expected to take at least two years after the passage of this act.

When rule making is complete in 2027, local governments may incur reduced water sampling costs when compared to hiring an SMA to conduct this work. The magnitude of the change is currently unknown, because sampling costs vary by jurisdictional health department and the frequency of the sampling varies by water source.

The provisions of the federal Safe Drinking Water Act require public water supplies to collect microbiological and chemical samples at various frequencies. This sample collection frequency is determined by each source's water quality history compliance with previous monitoring requirements, and waiver status. To assist water systems on when to sample and what types of samples to collect, the Office of Drinking water sends out an annual Water Quality Monitoring Reports to Group A systems.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

REVENUE CHANGES FROM PRIOR BILL VERSION:

The amendments made to the substitute act would not change the revenue impact associated with the prior bill version.

REVENUE IMPACT OF CURRENT BILL:

This legislation would not impact local government revenue.

SOURCES:

City of Olympia

Department of Health, FN 1906 HB (2025)

Department of Health, Office of Drinking Water

Department of Health, "Testing Your Water"

House Bill Analysis, 1906 HB (2025)

House Bill Report, 1906 HB (2025)

Local Government Fiscal Note Program, FN 5094 SB (2023)

Utilities and Transportation Commission, FN 1906 HB (2025)

Washington Administrative Code 246-290-100