

**FINAL  
FISCAL NOTE**

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<b>Drafting Number:</b> LLS 14-0259	<b>Date:</b> June 9, 2014
<b>Prime Sponsor(s):</b> Sen. Hodge Rep. Fischer	<b>Bill Status:</b> Signed into Law
	<b>Fiscal Analyst:</b> Alex Schatz (303-866-4375)

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**SHORT TITLE:** WASTEWATER TREATMENT SMALL COMMUNITIES GRANTS

<b>Fiscal Impact Summary*</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	Minimal expenditure and workload increase.	
Cash Funds	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> None.		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

Current law establishes the Small Communities Water and Wastewater Grant Fund (fund) in the Colorado Department of Public Health and Environment (CDPHE). The CDPHE is authorized to make grants from the fund "for the planning, design, and construction of drinking water or water treatment systems."

This bill clarifies that grants are available for projects assisting domestic wastewater treatment works. The bill requires the Water Quality Control Commission (WQCC) to promulgate a "project categorization system" for proposed projects. The bill also limits eligible projects to water and wastewater projects that serve a population of less than 5,000 people.

**Background**

The CDPHE established the Drinking Water Grant Program based on current statute, including a prioritization system for public drinking water supply projects. Under current law, all applications for grants are reviewed by the Department of Local Affairs (DOLA), resulting in a certificate of financial need for eligible projects. CDPHE is authorized under current law to make expenditures from the fund for administrative costs associated with the grant program, including DOLA costs.

Grants under the existing program were last made in 2006, when state General Fund was made available through the capital development budget. In 2009, Senate Bill 09-165 directed that certain severance tax revenue, up to \$10 million, would be transferred to the fund when available. Severance tax revenue has not been sufficient to provide for transfers up to the current fiscal year. The Legislative Council Staff Forecast currently projects transfers in FY 2014-15 and FY 2015-16.

## **State Expenditures**

The bill results in minimal costs to CDPHE and DOLA.

**Assumptions.** The bill expands the potential pool of applicants for Small Communities Water and Wastewater Grant Fund moneys. Both CDPHE and DOLA will be required to process more applications and, given limited funding, CDPHE will apply existing prioritization criteria more stringently to create opportunities to fund wastewater projects in lieu of some drinking water projects.

**Department of Public Health and Environment.** Workload for CDPHE staff will increase to process additional grant applications. The amount of additional workload will be controlled to some extent by DOLA review, and the fiscal note assumes CDPHE staff authorized under current law are able to quickly identify high-priority projects, with little additional effort required for less competitive projects. Therefore, no new appropriations are required to implement the bill.

The bill also results in minimal costs for the WQCC to adopt a project categorization system. Professional staff of the Water Quality Control Division (WQCD) will experience increased workload to develop a prioritization system for wastewater projects. Based on the framework and applicability of factors identified in current rules for drinking water projects, workload to develop the new system can be absorbed within existing WQCD workload. Adoption of the system by the WQCC on a regular agenda will not require new appropriations.

**Department of Local Affairs.** Workload for DOLA staff will increase to assess the financial need of additional grant applicants. DOLA examines a limited amount of information relative to financial need and is able to perform additional review under the bill with no new appropriations.

## **Local Government Impact**

The bill does not change the amount of funding available for grants to local government water and wastewater operators. However, the bill enlarges the number of local government projects that may be eligible for grant funds and increases competition for existing funding. As a result, the bill may result in a different distribution of local communities benefitting from the grant program than would be achieved under current law.

## **Effective Date**

The bill was signed into law by the Governor on February 27, 2014, and takes effect August 6, 2014, assuming no referendum petition is filed.

## **State and Local Government Contacts**

Public Health and Environment  
Special Districts

Local Affairs  
Municipalities

Law  
Counties