

1 A bill to be entitled

2 An act relating to water and wastewater utility  
3 systems; creating s. 159.810, F.S.; requiring the  
4 Division of Bond Finance of the State Board of  
5 Administration to review the allocation of private  
6 activity bonds to determine the availability of  
7 additional allocation or reallocation of bonds for  
8 water and wastewater infrastructure projects; amending  
9 s. 212.08, F.S.; extending tax exemptions to certain  
10 investor-owned water and wastewater utilities;  
11 amending s. 367.022, F.S.; exempting from regulation  
12 by the Florida Public Service Commission a person who  
13 resells water service to certain tenants or residents  
14 up to a specified cost; amending s. 367.081, F.S.;  
15 establishing criteria for determining the quality of  
16 water and wastewater services provided by a utility;  
17 establishing a procedure for the commission to follow  
18 if it determines that a utility has failed to provide  
19 water and wastewater services that meet certain  
20 standards; authorizing the commission to adopt rules  
21 that include fines; authorizing the commission to  
22 create a utility reserve fund to establish rates for a  
23 utility; providing for the automatic increase or  
24 decrease of approved rates under certain  
25 circumstances; establishing criteria for adjusted  
26 rates; specifying expense items that cause an

27 automatic increase or decrease in utility rates;  
28 providing standards to allow the commission to  
29 establish, by rule, additional specified expense items  
30 that cause an automatic increase or decrease of  
31 utility rates; deleting certain requirements for  
32 approved utility rates that are automatically  
33 increased or decreased, upon notice to the commission;  
34 deleting a prohibition to conform to changes made by  
35 the act; prohibiting the commission from awarding rate  
36 case expense under certain circumstances; amending s.  
37 367.0814, F.S.; describing the circumstances under  
38 which the commission may award rate case expense to  
39 cover attorney fees or fees for other outside  
40 consultants; requiring the commission to adopt related  
41 rules; amending s. 367.0816, F.S.; requiring the  
42 commission to determine that the amount of rate case  
43 expense is reasonable before the expense can be  
44 apportioned for a certain period; providing  
45 limitations on and rules for the amortized rate case  
46 expense recovery; amending s. 403.8532, F.S.; allowing  
47 the Department of Environmental Protection to make, or  
48 to request that the Florida Water Pollution Control  
49 Financing Corporation make, loans, grants, and  
50 deposits to for-profit privately owned or investor-  
51 owned systems, and deleting current restrictions on  
52 such activity; providing an effective date.

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Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 159.810, Florida Statutes, is created to read:

159.810 Allocation of bonds for water and wastewater infrastructure projects.—The division shall review the allocation of private activity bonds to determine the availability of additional allocation or reallocation of bonds for water and wastewater infrastructure projects.

Section 2. Paragraph (kkk) is added to subsection (7) of section 212.08, Florida Statutes, to read:

212.08 Sales, rental, use, consumption, distribution, and storage tax; specified exemptions.—The sale at retail, the rental, the use, the consumption, the distribution, and the storage to be used or consumed in this state of the following are hereby specifically exempt from the tax imposed by this chapter.

(7) MISCELLANEOUS EXEMPTIONS.—Exemptions provided to any entity by this chapter do not inure to any transaction that is otherwise taxable under this chapter when payment is made by a representative or employee of the entity by any means, including, but not limited to, cash, check, or credit card, even when that representative or employee is subsequently reimbursed by the entity. In addition, exemptions provided to any entity by this subsection do not inure to any transaction that is

79 otherwise taxable under this chapter unless the entity has  
 80 obtained a sales tax exemption certificate from the department  
 81 or the entity obtains or provides other documentation as  
 82 required by the department. Eligible purchases or leases made  
 83 with such a certificate must be in strict compliance with this  
 84 subsection and departmental rules, and a ~~any~~ person who makes an  
 85 exempt purchase with a certificate that is not in strict  
 86 compliance with this subsection and the rules is liable for and  
 87 shall pay the tax. The department may adopt rules to administer  
 88 this subsection.

89 (kkk) Investor-owned water and wastewater utilities.—Sales  
 90 or leases to an investor-owned water or wastewater utility owned  
 91 or operated by a Florida corporation are exempt from the tax  
 92 imposed by this chapter if the sole or primary function of the  
 93 corporation is to construct, maintain, or operate a water or  
 94 wastewater system in this state and if the goods or services  
 95 purchased or leased are used in this state.

96 Section 3. Present subsections (9) through (12) of section  
 97 367.022, Florida Statutes, are redesignated as subsections (10)  
 98 through (13), respectively, and a new subsection (9) is added to  
 99 that section, to read:

100 367.022 Exemptions.—The following are not subject to  
 101 regulation by the commission as a utility nor are they subject  
 102 to the provisions of this chapter, except as expressly provided:

103 (9) Any person who resells water service to his or her  
 104 tenants or to individually metered residents for a fee that does

105 not exceed the actual purchase price plus:

106 (a) Up to 9 percent of the actual purchase price; or

107 (b) The actual cost of meter reading and billing.

108 Section 4. Subsections (2), (4), and (7) of section  
109 367.081, Florida Statutes, are amended to read:

110 367.081 Rates; procedure for fixing and changing.—

111 (2) (a) ~~1-~~ The commission shall, ~~either~~ upon request or upon  
112 its own motion, fix rates that ~~which~~ are just, reasonable,  
113 compensatory, and not unfairly discriminatory.

114 1. In each ~~every~~ such proceeding, the commission shall  
115 consider the value and quality of the service and the cost of  
116 providing the service, which must ~~shall~~ include, but need not be  
117 limited to, debt interest; the requirements of the utility for  
118 working capital; maintenance, depreciation, tax, and operating  
119 expenses incurred in the operation of all property used and  
120 useful in the public service; and a fair return on the  
121 investment of the utility in property used and useful in the  
122 public service. However, the commission shall not allow the  
123 inclusion of contributions-in-aid-of-construction in the rate  
124 base of a ~~any~~ utility during a rate proceeding, ~~or nor shall the~~  
125 ~~commission~~ impute prospective future contributions-in-aid-of-  
126 construction against the utility's investment in property used  
127 and useful in the public service. ~~and~~ Accumulated depreciation  
128 on such contributions-in-aid-of-construction shall not be used  
129 to reduce the rate base, and ~~nor shall~~ depreciation on such  
130 contributed assets shall not be considered a cost of providing

131 utility service.

132       2. For purposes of such proceedings, the commission shall  
133 consider utility property, including land acquired or facilities  
134 constructed or to be constructed within a reasonable time in the  
135 future, up to ~~not to exceed~~ 24 months after the end of the  
136 historic base year used to set final rates unless a longer  
137 period is approved by the commission, to be used and useful in  
138 the public service, if:

139       a. Such property is needed to serve current customers;

140       b. Such property is needed to serve customers 5 years  
141 after the end of the test year used in the commission's final  
142 order on a rate request as provided in subsection (6) at a  
143 growth rate for equivalent residential connections up to ~~not to~~  
144 ~~exceed~~ 5 percent per year; or

145       c. Such property is needed to serve customers more than 5  
146 full years after the end of the test year used in the  
147 commission's final order on a rate request as provided in  
148 subsection (6) only to the extent that the utility presents  
149 clear and convincing evidence to justify such consideration.

150       3. In determining the value and quality of water service  
151 provided by a utility and whether such utility has satisfied its  
152 obligation to provide water service to its customers, the  
153 commission shall consider the extent to which the utility meets  
154 secondary drinking water standards regarding taste, odor, color,  
155 or corrosiveness which are established by the Department of  
156 Environmental Protection and the local government. In making its

157 determination, the commission shall consider:

158 a. Testimony and evidence provided by customers and the  
159 utility;

160 b. Complaints that relate to the secondary water standards  
161 which customers have filed during the past 5 years with the  
162 commission, the Department of Environmental Protection, the  
163 county health departments, or the local government;

164 c. The results of past tests required by the Department of  
165 Environmental Protection or county health departments which  
166 measure the utility's compliance with the applicable secondary  
167 drinking water standards; and

168 d. The results of other tests, if deemed necessary by the  
169 commission.

170 4. In determining the value and quality of wastewater  
171 service provided by a utility, the commission shall consider the  
172 extent to which the utility provides wastewater service to its  
173 customers which does not cause odor, noise, aerosol drift, or  
174 lighting that adversely affects customers. In making its  
175 determination, the commission shall consider:

176 a. Testimony and evidence provided by customers and the  
177 utility; and

178 b. All complaints related to the alleged odor, noise,  
179 aerosol drift, or lighting problem which customers have filed  
180 over the past 5 years with any of the following:

181 (I) The commission;

182 (II) The Department of Environmental Protection;

183 (III) The county health departments; or

184 (IV) The local government.

185 5. If the commission determines that a utility provides  
186 water service that does not meet the secondary water quality  
187 standards of the Department of Environmental Protection and the  
188 local government regarding taste, odor, color, or corrosiveness,  
189 or that a utility provides wastewater service that adversely  
190 affects customers due to odor, noise, aerosol drift, or  
191 lighting, the utility shall provide estimates of the costs and  
192 benefits of various solutions to the problems. The utility must  
193 meet with its customers to discuss the costs and benefits of the  
194 various solutions and report to the commission the conclusions  
195 of the meetings. The commission shall adopt rules necessary to  
196 assess and enforce the utility's compliance with this section.  
197 The rules must prescribe penalties, including fines and  
198 reduction of return on equity of up to 100 basis points, if a  
199 utility fails to adequately address or offer solutions to the  
200 water or wastewater problems.

201  
202 Notwithstanding ~~the provisions of~~ this paragraph, the commission  
203 shall approve rates for service which allow a utility to recover  
204 from customers the full amount of environmental compliance  
205 costs. Such rates may not include charges for allowances for  
206 funds prudently invested or similar charges. For purposes of  
207 this requirement, the term "environmental compliance costs"  
208 includes all reasonable expenses and fair return on any prudent



209 investment incurred by a utility in complying with the  
210 requirements or conditions contained in any permitting,  
211 enforcement, or similar decisions of the United States  
212 Environmental Protection Agency, the Department of Environmental  
213 Protection, a water management district, or any other  
214 governmental entity with similar regulatory jurisdiction.

215 (b) In establishing initial rates for a utility, the  
216 commission may project the financial and operational data as set  
217 out in paragraph (a) to a point in time when the utility is  
218 expected to be operating at a reasonable level of capacity.

219 (c) In establishing rates for a utility, the commission  
220 may authorize the creation of a utility reserve fund. The  
221 commission shall adopt rules to govern the fund, including, but  
222 not limited to, rules relating to expenses for which the fund  
223 may be used, segregation of reserve account funds, requirements  
224 for a capital improvement plan, and requirements for commission  
225 authorization before disbursements from the reserve fund.

226 (4) (a) On or before March 31 of each year, the commission  
227 by order shall establish a price increase or decrease index for  
228 major categories of operating costs incurred by utilities  
229 subject to its jurisdiction reflecting the percentage of  
230 increase or decrease in such costs from the most recent 12-month  
231 historical data available. The commission by rule shall  
232 establish the procedure to be used in determining such indices  
233 and a procedure by which a utility, without further action by  
234 the commission, or the commission on its own motion, may

235 implement an increase or decrease in its rates based upon the  
236 application of the indices to the amount of the major categories  
237 of operating costs incurred by the utility during the  
238 immediately preceding calendar year, except to the extent of any  
239 disallowances or adjustments for those expenses of that utility  
240 in its most recent rate proceeding before the commission. The  
241 rules shall provide that, upon a finding of good cause,  
242 including inadequate service, the commission may order a utility  
243 to refrain from implementing a rate increase hereunder unless  
244 implemented under a bond or corporate undertaking in the same  
245 manner as interim rates may be implemented under s. 367.082. A  
246 utility may not use this procedure between the official filing  
247 date of the rate proceeding and 1 year thereafter, unless the  
248 case is completed or terminated at an earlier date. A utility  
249 may not use this procedure to increase any operating cost for  
250 which an adjustment has been or could be made under paragraph  
251 (b), or to increase its rates by application of a price index  
252 other than the most recent price index authorized by the  
253 commission at the time of filing.

254 (b) Upon verified notice to the commission 45 days before  
255 implementation of the increase or decrease, and without a  
256 hearing, the approved rates of a utility must automatically  
257 increase or decrease. Such notice must inform the commission  
258 that the utility's costs for a specified expense item have  
259 changed.

260 1. The new rates must reflect, on an amortized or annual

261 basis, as appropriate, the cost or amount of change in the cost  
262 of the specified expense item. The new rates may not reflect the  
263 costs of a specified expense item already included in the rates  
264 of a utility. Specified expense items eligible for automatic  
265 increase or decrease of a utility's rates include, but are not  
266 limited to:

267 a. The rates charged by a governmental authority or other  
268 water or wastewater utility regulated by the commission which  
269 provides utility service to the utility.

270 b. The rates or fees that the utility is charged for  
271 electric power.

272 c. The amount of ad valorem taxes assessed against the  
273 utility's used and useful property.

274 d. The fees charged by the Department of Environmental  
275 Protection in connection with the National Pollutant Discharge  
276 Elimination System Program permit.

277 e. The regulatory assessment fees imposed upon the utility  
278 by the commission.

279 f. Costs incurred for water quality or wastewater quality  
280 testing required by the Department of Environmental Protection.

281 g. The fees charged for wastewater sludge disposal.

282 h. A loan service fee or loan origination fee associated  
283 with a loan related to an eligible project. The commission shall  
284 adopt rules governing the determination of eligible projects,  
285 which must be limited to those projects associated with new  
286 infrastructure or improvements to existing infrastructure needed

287 to achieve or maintain compliance with federal, state, and local  
288 governmental primary or secondary drinking water standards or  
289 wastewater treatment standards that relate to:

290 (I) The provision of water or wastewater service for  
291 existing customers;

292 (II) The violation or prevention of a violation of  
293 federal, state, and local governmental primary or secondary  
294 health standards;

295 (III) The replacement or upgrade of aging water or  
296 wastewater infrastructure if needed to achieve or maintain  
297 compliance with federal, state, and local governmental primary  
298 or secondary regulations; or

299 (IV) Projects consistent with the most recent long-range  
300 plan of the utility on file with the commission. Eligible  
301 projects do not include projects primarily intended to serve  
302 future growth.

303 i. Costs incurred for a tank inspection required by the  
304 Department of Environmental Protection or a local governmental  
305 authority.

306 j. Operator and distribution license fees required by the  
307 Department of Environmental Protection or a local governmental  
308 authority.

309 k. Water or wastewater operating permit fees charged by  
310 the Department of Environmental Protection or a local  
311 governmental authority.

312 l. Consumptive or water use permit fees charged by a water

313 management district.

314 2. A utility may not use the procedure under this  
315 paragraph to increase or decrease its rates as a result of an  
316 increase or decrease in a specific expense item which occurred  
317 more than 12 months before the filing by the utility.

318 3. The commission may establish by rule additional  
319 specific expense items that cause an automatic increase or  
320 decrease in a utility's rates as provided in this paragraph. To  
321 be eligible for such treatment, an additional expense item must  
322 be imposed upon the utility by a local, state, or federal law,  
323 rule, order, or notice and must be outside the control of the  
324 utility. If the commission exercises its authority to establish  
325 such rule, the commission must, at least once every 5 years,  
326 review the rule and determine if each expense item should  
327 continue to be cause for the automatic increase or decrease of a  
328 utility's rates, or if any additional items should become cause  
329 for the automatic increase or decrease of a utility's rates as  
330 provided in this paragraph ~~The approved rates of any utility~~  
331 ~~which receives all or any portion of its utility service from a~~  
332 ~~governmental authority or from a water or wastewater utility~~  
333 ~~regulated by the commission and which redistributes that service~~  
334 ~~to its utility customers shall be automatically increased or~~  
335 ~~decreased without hearing, upon verified notice to the~~  
336 ~~commission 45 days prior to its implementation of the increase~~  
337 ~~or decrease that the rates charged by the governmental authority~~  
338 ~~or other utility have changed. The approved rates of any utility~~

339 ~~which is subject to an increase or decrease in the rates or fees~~  
340 ~~that it is charged for electric power, the amount of ad valorem~~  
341 ~~taxes assessed against its used and useful property, the fees~~  
342 ~~charged by the Department of Environmental Protection in~~  
343 ~~connection with the National Pollutant Discharge Elimination~~  
344 ~~System Program, or the regulatory assessment fees imposed upon~~  
345 ~~it by the commission shall be increased or decreased by the~~  
346 ~~utility, without action by the commission, upon verified notice~~  
347 ~~to the commission 45 days prior to its implementation of the~~  
348 ~~increase or decrease that the rates charged by the supplier of~~  
349 ~~the electric power or the taxes imposed by the governmental~~  
350 ~~authority, or the regulatory assessment fees imposed upon it by~~  
351 ~~the commission have changed. The new rates authorized shall~~  
352 ~~reflect the amount of the change of the ad valorem taxes or~~  
353 ~~rates imposed upon the utility by the governmental authority,~~  
354 ~~other utility, or supplier of electric power, or the regulatory~~  
355 ~~assessment fees imposed upon it by the commission. The approved~~  
356 ~~rates of any utility shall be automatically increased, without~~  
357 ~~hearing, upon verified notice to the commission 45 days prior to~~  
358 ~~implementation of the increase that costs have been incurred for~~  
359 ~~water quality or wastewater quality testing required by the~~  
360 ~~Department of Environmental Protection. The new rates authorized~~  
361 ~~shall reflect, on an amortized basis, the cost of, or the amount~~  
362 ~~of change in the cost of, required water quality or wastewater~~  
363 ~~quality testing performed by laboratories approved by the~~  
364 ~~Department of Environmental Protection for that purpose. The new~~

365 ~~rates, however, shall not reflect the costs of any required~~  
366 ~~water quality or wastewater quality testing already included in~~  
367 ~~a utility's rates. A utility may not use this procedure to~~  
368 ~~increase its rates as a result of water quality or wastewater~~  
369 ~~quality testing or an increase in the cost of purchased water~~  
370 ~~services, sewer services, or electric power or in assessed ad~~  
371 ~~valorem taxes, which increase was initiated more than 12 months~~  
372 ~~before the filing by the utility.~~

373 4. ~~The provisions of~~ This subsection does ~~de~~ not prevent a  
374 utility from seeking a change in rates under ~~pursuant to the~~  
375 ~~provisions of~~ subsection (2).

376 (c) Before implementing a change in rates under this  
377 subsection, the utility must ~~shall~~ file an affirmation under  
378 oath as to the accuracy of the figures and calculations upon  
379 which the change in rates is based, stating that the change will  
380 not cause the utility to exceed the range of its last authorized  
381 rate of return on equity. A person who ~~Whoever~~ makes a false  
382 statement in the affirmation required under this subsection  
383 ~~hereunder~~, which statement he or she does not believe to be true  
384 in regard to any material matter, commits ~~is guilty of~~ a felony  
385 of the third degree, punishable as provided in s. 775.082, s.  
386 775.083, or s. 775.084.

387 (d) If, within 15 months after the filing of a utility's  
388 annual report required by s. 367.121, the commission finds that  
389 the utility exceeded the range of its last authorized rate of  
390 return on equity after an adjustment in rates as authorized by

391 this subsection was implemented within the year for which the  
392 report was filed or was implemented in the preceding year, the  
393 commission may order the utility to refund, with interest, the  
394 difference to the ratepayers and adjust rates accordingly. This  
395 provision does ~~shall not be construed to~~ require a bond or  
396 corporate undertaking not otherwise required.

397 (e) Notwithstanding anything in this section ~~herein~~ to the  
398 contrary, a utility may not adjust its rates under this  
399 subsection more than two times in any 12-month period. For the  
400 purpose of this paragraph, a combined application or  
401 simultaneously filed applications that were filed under the  
402 provisions of paragraphs (a) and (b) are ~~shall be~~ considered one  
403 rate adjustment.

404 (f) At least annually, the commission shall ~~may regularly,~~  
405 ~~not less often than once each year,~~ establish by order a  
406 leverage formula or formulae that reasonably reflect the range  
407 of returns on common equity for an average water or wastewater  
408 utility and which, for purposes of this section, are ~~shall be~~  
409 used to calculate the last authorized rate of return on equity  
410 for a ~~any~~ utility which otherwise would not have an ~~ne~~  
411 established rate of return on equity. In any other proceeding in  
412 which an authorized rate of return on equity is to be  
413 established, a utility, in lieu of presenting evidence on its  
414 rate of return on common equity, may move the commission to  
415 adopt the range of rates of return on common equity which is  
416 ~~that has been~~ established under this paragraph.



417 (7) The commission shall determine the reasonableness of  
418 rate case expenses and shall disallow all rate case expenses  
419 determined to be unreasonable. A ~~No~~ rate case expense determined  
420 to be unreasonable may not be ~~shall be~~ paid by a consumer. In  
421 determining the reasonable level of rate case expense, the  
422 commission shall consider the extent to which a utility has used  
423 ~~utilized~~ or failed to use ~~utilize~~ the provisions of paragraph  
424 (4) (a) or paragraph (4) (b) and such other criteria as it may  
425 establish by rule. In a rate case filed pursuant to this  
426 section, the commission shall not award rate case expenses that  
427 exceed the total rate increase approved by the commission  
428 exclusive of any rate case expense.

429 Section 5. Subsection (3) of section 367.0814, Florida  
430 Statutes, is amended to read:

431 367.0814 Staff assistance in changing rates and charges;  
432 interim rates.—

433 (3) The provisions of s. 367.081(1), (2) (a), (2) (c), and  
434 (3), and (7) ~~shall~~ apply in determining the utility's rates and  
435 charges. However, the commission shall not award rate case  
436 expense to cover fees for attorneys or other outside consultants  
437 who are engaged for purposes of preparing or filing the case if  
438 a utility receives staff assistance in changing rates and  
439 charges pursuant to this section, unless the Office of Public  
440 Counsel or interested parties have intervened. The commission  
441 may award rate case expense for attorney fees or other outside  
442 consultant fees if the fees are incurred for the purpose of

443 providing consulting or legal services to the utility after the  
444 initial staff report is made available to customers and the  
445 utility. If there is a protest or appeal by a party other than  
446 the utility, the commission may award rate case expense to the  
447 utility for attorney fees or other outside consultant fees for  
448 costs incurred after the protest or appeal. The commission shall  
449 adopt rules to administer this subsection.

450 Section 6. Section 367.0816, Florida Statutes, is amended  
451 to read:

452 367.0816 Recovery of rate case expenses.—

453 (1) The amount of rate case expense determined to be  
454 reasonable by the commission pursuant to s. 367.081 the  
455 provisions of this chapter to be recovered through a public  
456 utilities rate shall be apportioned for recovery through the  
457 utility's rates over a period of 4 years. At the conclusion of  
458 the recovery period, the rate of the public utility shall be  
459 reduced immediately by the amount of rate case expense  
460 previously included in rates.

461 (2) A utility may recover the 4-year amortized rate case  
462 expense for only one rate case at any given time. If the  
463 commission approves and a utility implements a rate change from  
464 a subsequent rate case pursuant to this section, the utility  
465 forfeits any unamortized rate case expense from a prior rate  
466 case. The unamortized portion of rate case expense for a prior  
467 case must be removed from rates before the implementation of an  
468 additional amortized rate case expense for the most recent rate

469 proceeding. This limitation does not apply to the recovery of  
470 rate case expense for a limited proceeding filed pursuant to s.  
471 367.0822.

472 Section 7. Subsection (3) of section 403.8532, Florida  
473 Statutes, is amended to read:

474 403.8532 Drinking water state revolving loan fund; use;  
475 rules.—

476 (3) The department may make, or request that the  
477 corporation make, loans, grants, and deposits to community water  
478 systems, for-profit privately owned or investor-owned water  
479 systems, nonprofit transient noncommunity water systems, and  
480 nonprofit nontransient noncommunity water systems to assist them  
481 in planning, designing, and constructing public water systems,  
482 ~~unless such public water systems are for-profit privately owned~~  
483 ~~or investor-owned systems that regularly serve 1,500 service~~  
484 ~~connections or more within a single certified or franchised~~  
485 ~~area. However, a for-profit privately owned or investor-owned~~  
486 ~~public water system that regularly serves 1,500 service~~  
487 ~~connections or more within a single certified or franchised area~~  
488 ~~may qualify for a loan only if the proposed project will result~~  
489 ~~in the consolidation of two or more public water systems.~~ The  
490 department may provide loan guarantees, purchase loan insurance,  
491 and refinance local debt through the issue of new loans for  
492 projects approved by the department. Public water systems may  
493 borrow funds made available pursuant to this section and may  
494 pledge any revenues or other adequate security available to them

495 to repay any funds borrowed.

496 (a) The department shall administer loans so that amounts  
497 credited to the Drinking Water Revolving Loan Trust Fund in any  
498 fiscal year are reserved for the following purposes:

499 1. At least 15 percent for qualifying small public water  
500 systems.

501 2. Up to 15 percent for qualifying financially  
502 disadvantaged communities.

503 (b) If an insufficient number of the projects for which  
504 funds are reserved under this subsection have been submitted to  
505 the department at the time the funding priority list authorized  
506 under this section is adopted, the reservation of these funds no  
507 longer applies. The department may award the unreserved funds as  
508 otherwise provided in this section.

509 Section 8. This act shall take effect July 1, 2014.