

Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: September 26, 2018

SUBJECT: Fiscal Impact Statement – Lead Water Service Line Replacement and Disclosure Amendment Act of 2018

REFERENCE: Bill 22-507, Draft Committee Print as shared with the Office of Revenue Analysis on September 25, 2018

Conclusion

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill's implementation will cost approximately \$5.2 million in fiscal year 2019 and \$21 million over the four-year financial plan period.

The bill's provisions related to private lead service line replacements are subject to their inclusion in an approved budget and financial plan. The provisions related to homeowner lead in water disclosures to tenants and home buyers are sufficiently funded with existing budgeted resources and can be implemented.

Background

DC Water runs two lead service pipe¹ replacement programs for residents in the District. The first one gives a homeowner the option to replace a lead service pipe on his or her private property while DC Water is replacing the lead water main under the street and the lead service pipes in public space or is performing some other construction project. The second allows a homeowner to voluntarily replace his or her lead service pipe and request that DC Water also replace the lead service pipe located in public space at the same time.

The bill requires the Mayor or DC Water to pay for the cost of replacing lead service pipes on private property under two initiatives. Under the first initiative, DC Water must replace, and the

¹ Service pipes are considered those that run from the main water lines to an individual property. A portion of the service pipe is located in public space and a portion is located on private property.

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Mayor must pay for private lead service pipes when DC Water is replacing the service lines in public space. After DC Water exhausts the funding appropriated by the District to pay for the private service pipe replacements, DC Water must either pay the private replacement costs or not move forward with the public space service line replacements. If DC Water does not have funding to pay for the private service line replacement, DC Water can only move forward with a public space service line replacement if the homeowner does not consent to the private service line replacement, fails to offer consent within 120 days of DC Water's request, or the homeowner is willing to pay the full replacement cost in the absence of District or DC Water funding.

The bill's second initiative is a payment assistance program whereby the District and DC Water give a homeowner, who previously chose not to participate when DC Water was replacing the service lines in public space, the option to have that lead pipe replacement paid for by the District depending on the household's income. The District's Department of Energy and Environment (DOEE) should manage this program through the receipt and review of payment assistance applications and make determinations about payment assistance levels. The bill requires the District to provide assistance at the following levels:

1. The District must pay for 100 percent of the replacement costs if the homeowner has a household income of 80 percent or less of the area median income (AMI) or the homeowner has tenants who participate in a federal housing program.
2. The District must pay 80 percent of the first \$2,000 of replacement costs and then 100 percent of any costs over \$2,000 for households between 80 and 100 percent of AMI.
3. The District must pay 50 percent of the costs for any household with income greater than 100 percent of AMI, but not more than \$2,500.

The homeowners will be responsible for selecting their own contractors, to whom DC Water will directly pay the payment assistance amount, and then the homeowner will be responsible for any remaining costs. DOEE should make the application available on its website and notify a homeowner within 30 days about his or her eligibility and what level of payment assistance he or she will receive. The payment assistance program will be limited to funding the Mayor makes available to DC Water, so DOEE will place any applicants for assistance beyond the available funding on a waiting list for a subsequent fiscal year.

The bill requires DC Water to educate the public about the risks of lead service lines and provide free lead test kits to property owners of both commercial and residential buildings.

The bill also requires a residential property owner to provide any tenants or buyers of the property with a lead disclosure form that indicates the possibility of the presence of lead in the dwelling's water and the harm posed by lead in the water. The Mayor must also provide an option for an individual to report a violation for failure to provide the disclosure.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. There are over 105,000 private water service pipes in the District, of which approximately 7,500 are known to be lead and nearly 82,000 are of an unknown material. Based on DC Water's experience in addressing unknown service pipes, approximately half of the unknown pipes are likely lead. ORA's analysis assumes that roughly 48,000 of the service pipes are lead.

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We assume that approximately 34,700 of these pipes would be addressed under the bill's first initiative as DC Water replaces public space lines. In these cases, the District or DC Water would pay 100 percent of the costs. If District funding is not available or DC Water is unable to pay, then DC Water cannot move forward with related public space service line replacements unless a homeowner withheld consent to a private side replacement, failed to timely respond to a request for consent, or agreed to pay the full cost. The number of service lines that DC Water replaces will fluctuate annually, but DC Water has replaced approximately 500 public lead service pipes annually over the last few years. If this trend continues and each of these has a corresponding lead service pipe on private property, then the annual cost of the proactive replacement initiative to the District or DC Water would be approximately \$1 million. We assume that each private service line replacement will cost approximately \$2,000 based on DC Water's experience.

The homeowners associated with the remaining approximately 13,600 private lead service pipes, corresponding to locations where the service pipes in public space have already been replaced, would be eligible to participate in the payment assistance program. The level of payment assistance depends upon a household's income relative to AMI and ranges from 100 percent cost coverage for households below 80 percent AMI to 50 percent cost coverage for households over 100 percent AMI. The total replacement cost for these private lead service pipes is approximately \$16.4 million. If the District were to fund this program completely in equal amounts over the four-year financial plan period, it would have to appropriate \$4.1 million annually. The bill only requires the District and DC Water to spend on this program up to the amounts the District appropriates for this purpose, but it does not preclude all eligible homeowners from applying for assistance.

DOEE also requires two additional employees to accept payment assistance program applications, make determinations about the level of payment assistance that a household is eligible for, and manage a waitlist for households after any appropriated funds have been exhausted. These employees will cost \$122,000 in fiscal year 2019 and \$515,000 over the four-year financial plan period.

DOEE currently provides the form for lead paint disclosures that homeowners are required to provide to tenants or home buyers. DOEE can enhance this form or develop a new form for the bill's required lead in water disclosures with its current budgeted resources.

DC Water performs lead pipe education and provides water testing kits and does not need additional resources to perform these activities.

Lead Water Service Line Replacement and Disclosure Amendment Act of 2018					
Bill 22-507					
Implementation Costs (\$000s)					
Fiscal Year 2019 - Fiscal Year 2022					
	FY 2019	FY 2020	FY 2021	FY 2022	Total
DC Water Replacements on Private Property^a	\$1,000	\$1,000	\$1,000	\$1,000	\$4,000
Payment Assistance Program^b	\$4,113	\$4,113	\$4,113	\$4,113	\$16,450
DOEE Employees	\$122	\$126	\$131	\$136	\$515
Total Bill Costs	\$5,235	\$5,239	\$5,244	\$5,249	\$20,967

Table Notes

^a Assumes 500 private service line replacements at \$2,000 each.

^b Assumes all eligible private service lines are replaced over the financial plan period.