

HOUSE BILL REPORT

HB 2345

*As Reported By House Committee on:
Local Government*

Title: An act relating to local improvement districts of irrigation districts.

Brief Description: Allowing irrigation districts to assess the costs of maintaining the local improvement guarantee fund.

Sponsor(s): Representatives Bray, Nealey, Haugen, Ludwig, Neher, Ferguson and Rayburn.

Brief History:

Reported by House Committee on:
Local Government, January 31, 1992, DPS.

**HOUSE COMMITTEE ON
LOCAL GOVERNMENT**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 15 members: Representatives Haugen, Chair; Cooper, Vice Chair; Ferguson, Ranking Minority Member; Mitchell, Assistant Ranking Minority Member; Bray; Edmondson; Franklin; Horn; Nealey; Nelson; Rayburn; Roland; Wood; Wynne; and Zellinsky.

Staff: Steve Lundin (786-7127).

Background:

Irrigation districts are authorized to finance improvements by establishing local improvement districts (LID's), imposing assessments on lands within the LID that are specially benefited from the improvements that are financed by the LID, and issuing LID bonds payable from these assessments.

Irrigation district LID bonds are payable or secured from the following: (1) the assessments imposed within the LID; (2) a reserve fund for the particular LID, if one is created; (3) a local improvement guaranty fund for all the LID's created by the irrigation district; and (4) LID bonds are general obligations of the irrigation district, which means that eventually assessments could be imposed on all

the land within the irrigation district to make the required LID bond redemption payments.

A local improvement guaranty fund is established in each irrigation district that has a LID. The local improvement guaranty fund secures the payment of principal and interest on outstanding LID bonds that are issued by the irrigation district. Whenever the LID assessments are not sufficient to make the LID bond redemption payments, the payments are made from warrants issued against the guaranty fund.

An irrigation district is required to impose additional assessments throughout the entire irrigation district, when its normal assessments are imposed financing its activities, and place the money from the additional assessments into its guaranty fund. The balance in the guaranty fund may not exceed 5 percent of the outstanding obligations guaranteed by the guaranty fund.

Summary of Substitute Bill:

The imposition of assessments to fund irrigation district local improvement guaranty funds is altered by two factors. First, the maximum balance in the guaranty fund is increased from 5 percent of the value of outstanding obligations guaranteed by the fund to the greater of either 12 percent of the value of outstanding obligations guaranteed by the fund or the total amount of delinquent assessments and interest. Second, an irrigation district could impose the additional assessments to fund its guaranty fund either throughout the entire irrigation district or within a LID or LID's.

It is clarified that LID assessments may be used to finance a variety of matters, including engineering and surveying costs, accounting and clerical costs, legal costs, and financial costs related to the improvements financed by the LID.

All LID bonds that were issued and LID assessments that were imposed by an irrigation district before the date of this act are declared to be valid if they conform with the requirements of irrigation district law, including these new changes.

Substitute Bill Compared to Original Bill: An irrigation district is permitted to impose assessments to fund its guaranty fund within a LID or LID's, instead of only being allowed to impose the assessments in a LID or LID's. The ceiling is on the balance in the guaranty fund, instead of the amount of any annual assessments that are placed into the guaranty fund.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: This clarifies how irrigation districts operate their guaranty funds and impose assessments to fund the guaranty fund. The auditor interprets the statute to only allow the assessments throughout the entire irrigation district, instead of just within a LID. This validates the Kennewick Irrigation District's past actions.

Testimony Against: None.

Witnesses: Paul Chasco, Kennewick Irrigation District.