

Agriculture & Ecology Committee

HB 2147

Brief Description: Investing in clean water.

Sponsors: Representatives G. Chandler (co-prime sponsor) and Linville (co-prime sponsor).

Brief Summary of Bill

- *Authorizes the sale of general obligation bonds for funding facilities and improvements related to water quality, including waste water and storm water systems, drinking water systems, irrigation systems, and for funding acquisition of riparian habitat and water rights.*
- *Establishes a new retail sales tax of one-tenth of one percent to provide revenue for repayment of these general obligation bonds.*
- *Includes provisions for issuance and repayment of bonds and administration of bond proceeds.*

Hearing Date: 2/27/01

Staff: Caroleen Dineen (786-7156).

Background:

As the designated state water pollution control agency for federal Clean Water Act purposes, the Department of Ecology (DOE) is authorized to control and prevent pollution of streams, lakes, rivers, ponds, inland waters, salt waters, water courses and other surface and ground waters. The DOE has authority to adopt rules establishing water quality standards and rules regarding discharges into waters. The water pollution control statutes establish a discharge permit system under the DOE's jurisdiction and include permit procedures and provisions for specified entities and certain types of discharges.

The Growth Management Act (GMA) requires a county and its cities to plan if the county

meets certain population and growth criteria and allows other counties to choose to plan under the GMA. Currently, 29 of 39 counties plan under the GMA. The GMA requires all counties and cities in the state to designate and protect critical areas and to designate natural resource lands. Counties and cities planning under the GMA must adopt county-wide planning policies to coordinate comprehensive planning among counties and their cities; designate urban growth areas (UGAs), within which urban growth is encouraged and outside of which urban growth is prohibited; adopt a comprehensive plan with certain required elements; and adopt implementing development regulations.

The state of Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate.

Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the state general fund and deposits them into the bond retirement funds. For reimbursable bonds, an equal amount is then transferred to the bond retirement account from the source of the reimbursement.

The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds.

The retail sales tax is imposed on retail sales of most items of tangible personal property and some services.

Summary of Bill:

A new chapter is created in Title 90 RCW to establish a source of funding for: (1) facilities that control, collect, treat, reuse, or dispose of wastewater or storm water; (2) facilities that treat, conserve, or distribute drinking water; (3) improvements to or replacement of existing irrigation facilities that will conserve water or improve water quality; (4) acquisition of valuable or potentially valuable riparian habitat; and (5) acquisition of valid, current water rights to restore stream flows. Only facilities and acquisitions in compliance with land use and Growth Management Act comprehensive plans, urban growth areas, critical areas ordinances, development regulations, and other applicable requirements are eligible for funding.

The State Finance Committee is required to issue general obligations bonds in the sum of one billion dollars to finance the following facilities, acquisitions and expenditures, with the proceeds from the sale of bonds to be appropriated by the Legislature in the following amounts:

Use of Funds Distribution Planning, acquisition, construction, and improvement of wastewater and storm water control, collection, treatment, disposal, or reuse facilities 30

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The State Finance Committee may prescribe the form, terms, conditions, and covenants of the bonds, and the condition and the time of sale. The State Finance Committee also may issue short-term obligation bonds in anticipation of money to be derived from the bond sales. After five years the Legislature may review the distribution of funds and reallocate percentage distributions among the five eligible categories based on demonstrated need and environmental benefit.

An additional retail sales tax is created equal to one-tenth of one percent of the selling price. The revenue collected must be deposited into the Clean Water Investment Bond Redemption Fund, created in the state treasury for payment of interest on and retirement of the bonds. Revenues exceeding the amount needed for debt service must be used for early purchase, redemption, and retirement of outstanding bonds. The Legislature may authorize additional methods for repayment of these bonds.

50 percent of the funds must be awarded to small communities or public bodies serving small communities, and up to 90 percent of eligible project costs for a small community may be eligible for grant funding. "Small communities" means an incorporated city or town or unincorporated area with a maximum population of 5,000 or a special purpose district or other municipal or quasi-municipal corporation serving a maximum of 5,000 customers. "Public bodies" includes the state and any agency, political subdivision, special purpose district, or municipal or quasi-municipal corporation. No more than four percent of the bond proceeds may be used to pay administrative costs, including technical assistance.

At least 75 percent of the riparian habitat acquisitions must be land that currently is or was within the last five years used for agricultural purposes. These acquisitions may be of fee interests or permanent conservation easements.

Only current, valid water rights are eligible for funding. "Current, valid water right" means a water right under which water is being used or has been used in the past five years consistent with the water right's terms and which has not been relinquished or abandoned. The administering agency must purchase or lease these water rights on a willing seller basis and convert them to trust water rights.

The bonds must be paid and discharged within 25 years after issuance. No bonds may be offered for sale without prior legislative appropriation of the net proceeds of the bonds to be sold. The proceeds of the bonds are to be deposited into the Clean Water Investment Account, 2001.

The bond proceeds are to be administered by the administering agencies designated by the Legislature when it initially appropriates funds. The administering agencies may use or permit use of the funds for authorized purchases through direct expenditures, grants, or

matching funds. Within six months after initial appropriation, administering agencies must adopt rules governing fund expenditures and specifying grant eligibility criteria. The grant eligibility criteria must include:

environmental performance, including prioritization of funding for facilities or expenditures providing the greatest benefit to human health or the environment and establishing a high priority for facilities eliminating pollutant discharges, facilities employing water reuse or conservation, and land and water purchases restoring or protecting threatened or endangered species; the project sponsor's ability to provide its own funding; and availability of funding from other sources.

Evaluation criteria for irrigation system improvements must include improvements in system efficiency, water quality, stream flow restoration, and fish and wildlife protection. Water conserved as a result of irrigation system improvements paid for through bond proceeds expenditures must be returned to surface or ground water flows in a volume equal to the proportionate amount of funding provided.

Every two years the administering agencies must provide performance accounting reports to the Governor and the Legislature, including descriptions of the human health protection, environmental improvement, and other public value accruing to the public from these expenditures.

Definitions and administrative provisions are included.

Appropriation: *None.*

Fiscal Note: *Requested on February 26, 2001.*

Effective Date: *Ninety days after adjournment of session in which bill is passed.*