
Capital Budget Committee

HB 2357

Brief Description: Concerning state general obligation bonds for flood hazard reduction and storm water projects.

Sponsors: Representatives DeBolt, Dunshee, Ross, Orcutt, Johnson and Haler.

Brief Summary of Bill

- Authorizes the issuance of \$1 billion in general obligation bonds to finance flood hazard reduction projects in areas of Washington that are at greatest risk and most vulnerable to flooding.
- Authorizes the issuance of \$505 million in general obligation bonds to finance storm water projects that protect and improve water quality and improve watershed function.

Hearing Date: 2/4/14

Staff: Susan Howson (786-7142).

Background:

State General Obligation Bonds.

Washington periodically issues general obligation bonds to finance projects authorized in the capital budget. General obligation bonds pledge the full faith, 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 (Treasurer) withdraws the amounts necessary to make the payments from the State General Fund and deposits them into bond retirement funds.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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

Constitutional Debt Limit.

The Washington State Constitution places a firm limit on the amount of debt service the state can pay on certain forms of debt. Currently this limit is 9 percent of the average of the prior six years' general state revenue, defined as all unrestricted state tax revenues. Under a constitutional amendment approved by the voters in 2012, this limit is reduced over time as follows:

Beginning July 1, 2014, 8.5 percent; July 1, 2016, 8.25 percent; and July 1, 2034, 8 percent. The definition of general state revenues now includes state property taxes that are deposited into the State General Fund.

The Constitution excludes some types of debt from the debt limit calculation, most notably: debt approved by both the Legislature and a majority of the voters in a general or special election and debt payable from specified highway and school revenues.

Flood Assistance.

The Department of Ecology (Ecology) is the state coordinating agency for floodplain management. Ecology assists local governments with flood management planning and flood hazard reduction projects, reviews and approves local floodplain management ordinances for compliance with state and federal requirements, and establishes the minimum state requirements related to the National Flood Insurance Program. The Military Department's Emergency Management Division, the Department of Fish and Wildlife, and the Department of Transportation are the other key state agencies involved in floodplain management planning and response.

According to Ecology, between 1980 and 2011 Washington had 22 Presidentially-declared flood disasters, and in 1997, the highest number of flood disasters in the United States.

The Flood Control Assistance Account (Account) in the State Treasury has been used in the past to provide grants to local governments for flood hazard reduction projects, support technical assistance by Ecology staff to local governments, make emergency flood grants, and provide matching funds for FEMA grants. By law, the Account is to receive \$4 million per biennium in a transfer from the State General Fund. However, in recent biennia, the annual transfer amount has been reduced and the grants program suspended.

In the 2009-11 and 2011-13 capital budgets, a total of \$28 million, mostly in state general obligation bonds, was appropriated to Ecology for levee improvements in specific communities and grants to protect communities from flood and drought. The 2013-15 Capital Budget includes \$50 million in state general obligation bonds appropriated to Ecology for Floodplain Management and Control Grants. Of that amount, \$11.25 million is for a flood hazard reduction competitive grant program, \$33 million is for grants to nine multi-benefit floodplain restoration projects in the Puget Sound Basin, and nearly \$6 million is for two additional local projects.

Bonds for Catastrophic Flood Relief.

In December 2007 a series of storms caused flood damage in southwest Washington. On December 8, 2007, the President declared a major disaster in the counties of Grays Harbor, Kitsap, Lewis, Mason, Pacific and Thurston. Federal funding assistance was made available

following this declaration. In 2008 the Legislature authorized \$50 million in state general obligation bonds for projects throughout the Chehalis River Basin.

Storm Water.

Storm water runoff occurs when rain and snowmelt flows over land or impervious surfaces such as paved streets, parking lots and building rooftops, and does not percolate into the ground. As it flows, it accumulates debris, chemicals, oil, sediment and other pollutants that can adversely affect water quality if the runoff is discharged into a water body untreated.

Federal Clean Water Act amendments in 1987 classified storm water discharges from certain industries and municipalities as point sources of pollution that require National Pollutant Discharge Elimination System (NPDES) permits. For the most part, states have been authorized to implement the NPDES storm water program, and in Washington, the Department of Ecology (Ecology) is the designated agency. Operators of municipal separate storm sewers, industrial facilities, and construction sites that discharge storm water must obtain a permit from Ecology and must use best management practices to control storm water. Ecology is required to collect permit fees, set in rule, to support the NPDES storm water program.

In the 2009-11, 2011-13, and 2013-15 capital budgets, a total of \$220 million was appropriated to Ecology from Model Toxics Control Accounts and state general obligation bonds for local storm water projects.

Summary of Bill:

Flood Hazard Reduction Bonds.

The State Finance Committee is authorized to issue \$1.01 billion in state general obligation bonds over five biennia to finance flood hazard reduction projects in areas of Washington that are at greatest risk and most vulnerable to flooding. The State Treasurer is required to withdraw from state general revenues the amounts necessary to make the principal and interest payments on the bonds and to deposit these amounts in a new Flood Hazard Reduction Account.

The Legislature intends to use \$300 million in bond proceeds for flood hazard reduction projects in the Chehalis River Basin including, but not limited to, an upstream water retention facility. The Legislature intends to use the remaining \$700 million for competitive flood hazard reduction grants to counties, cities, federally-recognized Indian tribes, port districts, flood control and flood control zone districts, and diking and drainage districts. Applicants must provide a 20 percent match from non-state sources. Applicants may receive credit for properly documented non-state matching funds that were contributed no earlier than 10 years prior to the grant solicitation round and that are related to the needs identified in the project application.

The Office of Financial Management, in consultation with the Department of Ecology, must evaluate, score, and rank applications based on the following criteria:

- projects that provide cost-effective hazard reduction to people, property, critical facilities, and transportation corridors in counties that have historically been and are projected to continue to be at greatest risk and most vulnerable to flooding;
- projects that have been examined through a collaborative planning and approval process that includes public comment;

- projects that minimize or eliminate future costs for maintenance, operation, or emergency response;
- projects that are ready to proceed with the scope of work, and whose sponsors have the capacity to complete the project successfully; and
- projects that achieve multiple benefits, including salmon recovery, water quality improvements, habitat restoration, and channel migration zone protection.

Proceeds from the sale of bonds may not be used for the development of comprehensive flood hazard management plans, hazard mitigation plans, comprehensive plans, watershed plans, or other plans.

Storm Water Bonds.

The State Finance Committee is authorized to issue \$505 million in state general obligation bonds over five biennia to finance an ongoing, statewide competitive program of grants to cities and counties for storm water projects that protect and improve water quality and improve watershed function. The State Treasurer is required to withdraw from state general revenues the amounts necessary to make the principal and interest payments on the bonds and to deposit these amounts in a new Storm Water Financial Assistance Account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.