
SUBSTITUTE HOUSE BILL 2357

State of Washington

63rd Legislature

2014 Regular Session

By House Capital Budget (originally sponsored by Representatives DeBolt, Dunshee, Ross, Orcutt, Johnson, and Haler)

READ FIRST TIME 02/11/14.

1 AN ACT Relating to state general obligation bonds for flood hazard
2 reduction and storm water projects; adding a new chapter to Title 86
3 RCW; and adding a new chapter to Title 43 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **PART I**

6 **FLOOD HAZARD REDUCTION BONDS**

7 NEW SECTION. **Sec. 101.** FLOOD HAZARD REDUCTION BONDS AUTHORIZED.
8 For the purpose of providing funds to finance projects for flood hazard
9 reduction that also protect or restore floodplain ecosystem functions,
10 and all costs incidental thereto, the state finance committee is
11 authorized to issue general obligation bonds of the state of Washington
12 in the sum of seven hundred fifty-seven million five hundred thousand
13 dollars, or as much thereof as may be required, to finance all or a
14 part of the cost of these projects and all costs incidental thereto.
15 Bonds authorized in this section may be sold at such price as the state
16 finance committee shall determine. No bonds authorized in this section
17 may be offered for sale without prior legislative appropriation of the
18 net proceeds of the sale of the bonds.

1 NEW SECTION. **Sec. 102.** BOND ISSUANCE--INTENT. (1) It is the
2 intent of the legislature that the proceeds of new bonds authorized in
3 section 101 of this act will be appropriated in phases over five
4 biennia, beginning with the 2015-2017 biennium, to the office of
5 financial management to provide funding for flood hazard reduction
6 projects that also protect or restore floodplain ecosystem functions.

7 (2) No more than three percent of the total biennial appropriation
8 may be retained by the office of financial management for
9 administrative expenses.

10 (3) Subsection (1) of this section is not intended to limit the
11 legislature's ability to appropriate bond proceeds if the full amount
12 authorized in section 101 of this act has not been appropriated after
13 five biennia. The authorization to issue bonds contained in this
14 chapter does not expire until the full authorization has been
15 appropriated and issued.

16 NEW SECTION. **Sec. 103.** PROCEEDS. (1) The proceeds from the sale
17 of the bonds authorized in section 101 of this act shall be deposited
18 in the flood hazard reduction account created in section 108 of this
19 act. Moneys in the account may be spent only after appropriation.

20 (2) If the state finance committee deems it necessary to issue
21 bonds authorized in section 101 of this act as taxable bonds in order
22 to comply with federal internal revenue service rules and regulations
23 pertaining to the use of nontaxable bond proceeds or in order to reduce
24 the total financing costs for bonds issued, the proceeds of such
25 taxable bonds shall be transferred to the state taxable building
26 construction account in lieu of any deposit otherwise provided by this
27 section. The state treasurer shall submit written notice to the
28 director of the office of financial management if it is determined that
29 any such transfer to the state taxable building construction account is
30 necessary. Moneys in the account may be spent only after
31 appropriation.

32 (3) These proceeds shall be used exclusively for the purposes
33 specified in section 101 of this act and for the payment of expenses
34 incurred in the issuance and sale of the bonds, and shall be
35 administered by the office of financial management, subject to
36 legislative appropriation.

1 NEW SECTION. **Sec. 104.** PAYMENT PROCEDURES, TERMS, AND COVENANTS.

2 (1) The debt-limit general fund bond retirement account shall be used
3 for the payment of the principal of and interest on the bonds
4 authorized in section 101 of this act.

5 (2) The state finance committee shall, on or before June 30th of
6 each year, certify to the state treasurer the amount needed in the
7 ensuing twelve months to meet the bond retirement and interest
8 requirements on the bonds authorized in section 101 of this act.

9 (3) On each date on which any interest or principal and interest
10 payment is due on bonds issued under section 101 of this act, the state
11 treasurer shall withdraw from any general state revenues received in
12 the state treasury and deposit in the debt-limit general fund bond
13 retirement account an amount equal to the amount certified by the state
14 finance committee to be due on the payment date.

15 (4) Bonds issued under section 101 of this act shall state that
16 they are a general obligation of the state of Washington, shall pledge
17 the full faith and credit of the state to the payment of the principal
18 thereof and the interest thereon, and shall contain an unconditional
19 promise to pay the principal and interest as the same shall become due.

20 (5) The owner and holder of each of the bonds or the trustee for
21 the owner and holder of any of the bonds may by mandamus or other
22 appropriate proceeding require the transfer and payment of funds as
23 directed in this section.

24 (6) The state finance committee is authorized to prescribe the
25 form, terms, conditions, and covenants of the bonds provided for in
26 section 101 of this act, the time or times of sale of all or any
27 portion of them, and the conditions and manner of their sale and
28 issuance.

29 NEW SECTION. **Sec. 105.** ADDITIONAL METHODS OF PAYING DEBT SERVICE
30 AUTHORIZED. The legislature may provide additional means for raising
31 moneys for the payment of the principal of and interest on the bonds
32 authorized in section 101 of this act, and this section shall not be
33 deemed to provide an exclusive method for payment.

34 NEW SECTION. **Sec. 106.** BONDS--LEGAL INVESTMENT FOR PUBLIC FUNDS.
35 The bonds authorized by section 101 of this act shall constitute a

1 legal investment for all state funds or for funds under state control
2 and all funds of municipal corporations.

3 NEW SECTION. **Sec. 107.** INTENDED USE OF BOND PROCEEDS--COMPETITIVE
4 GRANT PROGRAM. (1) The legislature intends to use the proceeds from
5 the sale of bonds issued under section 101 of this act for flood hazard
6 reduction projects that also protect or restore floodplain ecosystem
7 functions. Grants may be distributed on a competitive basis to the
8 following eligible entities: Counties; cities; federally recognized
9 Indian tribes; port districts; flood control zone districts; flood
10 control districts; and diking and drainage districts.

11 (2) Applicants must provide a twenty percent match from nonstate
12 sources. The nonstate match may include cash on hand; the value of
13 real property when acquired solely for the purpose of the project; the
14 proceeds of a letter of credit or other binding loan commitment; a
15 pledge commitment; and in-kind contributions. Applicants may receive
16 credit for properly documented nonstate matching funds that were
17 contributed no earlier than ten years prior to the grant solicitation
18 round and that are related to the needs identified in the project
19 application. The office of financial management may develop additional
20 requirements related to documenting the value of the nonstate match.

21 (3) The office of financial management, in consultation with the
22 department of ecology, must evaluate, score, and rank applications
23 based on the following criteria, in descending order of priority:

24 (a) Projects that achieve multiple benefits, including, but not
25 limited to, cost-effective flood hazard reduction to people, property,
26 critical facilities, and transportation corridors, flood risk
27 reduction, salmon recovery, water quality improvements, habitat
28 restoration, agricultural viability, public access, and channel
29 migration zone protection. Projects must address both reduction and
30 prevention of flood risks, and protection or restoration of floodplain
31 ecosystem functions. For the Chehalis river basin, projects may also
32 include, but not be limited to, an upstream water retention facility.

33 (i) Priority must first be given to projects that:

34 (A) Are located in a county or counties covered by ten or more
35 state emergency flood proclamations from 1996 to 2012;
36 and

1 (B) Are part of a basin-wide strategy created by a governor's work
2 group in close collaboration with an Indian tribe and a multicounty
3 flood authority.

4 (ii) Priority must next be given to projects in counties that have
5 historically been and are projected to continue to be at greatest risk
6 and most vulnerable to flooding;

7 (b) Projects that are consistent with and recommended by a
8 collaborative planning and approval process that includes public
9 comment, such as a comprehensive flood hazard management plan, a hazard
10 mitigation plan, a comprehensive plan, a watershed plan, or other
11 applicable plans;

12 (c) Projects that minimize or eliminate future costs for
13 maintenance, operation, or emergency response; and

14 (d) Projects that are ready to proceed with the scope of work, and
15 whose sponsors have the capacity to complete the project successfully.

16 (4) Proceeds from the sale of bonds issued under this chapter may
17 not be used for the development of comprehensive flood hazard
18 management plans, hazard mitigation plans, comprehensive plans,
19 watershed plans, or other plans.

20 NEW SECTION. **Sec. 108.** CREATION OF THE FLOOD HAZARD REDUCTION
21 ACCOUNT. The flood hazard reduction account is created in the state
22 treasury. Proceeds from the bonds issued under section 103 of this act
23 shall be deposited in the account. The account shall be used for
24 purposes of section 101 of this act. Moneys in the account may be
25 spent only after appropriation.

26 **PART II**
27 **STORM WATER BONDS**

28 NEW SECTION. **Sec. 201.** STORM WATER BONDS AUTHORIZED. For the
29 purpose of providing funds to finance an ongoing, statewide competitive
30 program of grants to cities and counties for storm water projects that
31 protect and improve water quality and improve watershed functionality,
32 and all costs incidental thereto, the state finance committee is
33 authorized to issue general obligation bonds of the state of Washington
34 in the sum of seven hundred fifty-seven million five hundred thousand
35 dollars, or as much thereof as may be required, to finance all or a

1 part of the cost of these projects and all costs incidental thereto.
2 Bonds authorized in this section may be sold at such price as the state
3 finance committee shall determine. No bonds authorized in this section
4 may be offered for sale without prior legislative appropriation of the
5 net proceeds of the sale of the bonds.

6 NEW SECTION. **Sec. 202.** BOND ISSUANCE--INTENT. (1) It is the
7 intent of the legislature that the proceeds of new bonds authorized in
8 section 201 of this act will be appropriated in phases over five
9 biennia, beginning with the 2015-2017 biennium, to the department of
10 ecology to provide funding to cities and counties for competitive storm
11 water grants.

12 (2) No more than three percent of the total biennial appropriation
13 may be retained by the department of ecology for administrative
14 expenses.

15 (3) Subsection (1) of this section is not intended to limit the
16 legislature's ability to appropriate bond proceeds if the full amount
17 authorized in this chapter has not been appropriated after five
18 biennia. The authorization to issue bonds contained in this chapter
19 does not expire until the full authorization has been appropriated and
20 issued.

21 NEW SECTION. **Sec. 203.** PROCEEDS. (1) The proceeds from the sale
22 of the bonds authorized in section 201 of this act shall be deposited
23 in the storm water financial assistance account created in section 208
24 of this act. Moneys in the account may be spent only after
25 appropriation.

26 (2) If the state finance committee deems it necessary to issue
27 bonds authorized in section 201 of this act as taxable bonds in order
28 to comply with federal internal revenue service rules and regulations
29 pertaining to the use of nontaxable bond proceeds or in order to reduce
30 the total financing costs for bonds issued, the proceeds of such
31 taxable bonds shall be transferred to the state taxable building
32 construction account in lieu of any deposit otherwise provided by this
33 section. The state treasurer shall submit written notice to the
34 director of the office of financial management if it is determined that
35 any such transfer to the state taxable building construction account is

1 necessary. Moneys in the account may be spent only after
2 appropriation.

3 (3) These proceeds shall be used exclusively for the purposes
4 specified in section 201 of this act and for the payment of expenses
5 incurred in the issuance and sale of the bonds, and shall be
6 administered by the department of ecology, subject to legislative
7 appropriation.

8 NEW SECTION. **Sec. 204.** PAYMENT PROCEDURES, TERMS, AND COVENANTS.

9 (1) The debt-limit general fund bond retirement account shall be used
10 for the payment of the principal of and interest on the bonds
11 authorized in section 201 of this act.

12 (2) The state finance committee shall, on or before June 30th of
13 each year, certify to the state treasurer the amount needed in the
14 ensuing twelve months to meet the bond retirement and interest
15 requirements on the bonds authorized in section 201 of this act.

16 (3) On each date on which any interest or principal and interest
17 payment is due on bonds issued under section 201 of this act, the state
18 treasurer shall withdraw from any general state revenues received in
19 the state treasury and deposit in the debt-limit general fund bond
20 retirement account an amount equal to the amount certified by the state
21 finance committee to be due on the payment date.

22 (4) Bonds issued under section 201 of this act shall state that
23 they are a general obligation of the state of Washington, shall pledge
24 the full faith and credit of the state to the payment of the principal
25 thereof and the interest thereon, and shall contain an unconditional
26 promise to pay the principal and interest as the same shall become due.

27 (5) The owner and holder of each of the bonds or the trustee for
28 the owner and holder of any of the bonds may by mandamus or other
29 appropriate proceeding require the transfer and payment of funds as
30 directed in this section.

31 (6) The state finance committee is authorized to prescribe the
32 form, terms, conditions, and covenants of the bonds provided for in
33 section 201 of this act, the time or times of sale of all or any
34 portion of them, and the conditions and manner of their sale and
35 issuance.

1 NEW SECTION. **Sec. 205.** ADDITIONAL METHODS OF PAYING DEBT SERVICE
2 AUTHORIZED. The legislature may provide additional means for raising
3 moneys for the payment of the principal of and interest on the bonds
4 authorized in section 201 of this act, and this section shall not be
5 deemed to provide an exclusive method for payment.

6 NEW SECTION. **Sec. 206.** BONDS--LEGAL INVESTMENT FOR PUBLIC FUNDS.
7 The bonds authorized by section 201 of this act shall constitute a
8 legal investment for all state funds or for funds under state control
9 and all funds of municipal corporations.

10 NEW SECTION. **Sec. 207.** INTENDED USE OF BOND PROCEEDS--STORM WATER
11 COMPETITIVE GRANT PROGRAM. (1) The legislature intends to use the
12 proceeds from the sale of bonds issued under section 201 of this act
13 for a competitive program of grants to cities and counties for storm
14 water projects that protect and improve water quality and improve
15 watershed functionality.

16 (2) The department of ecology shall administer the competitive
17 storm water grant program.

18 (3) The grants must be provided solely for capital projects that:

19 (a) Implement pollutant reduction strategies which advance the
20 state's compliance with water quality standards under the federal clean
21 water act; and

22 (b) Are the result of collaboration and agreement between a city or
23 a county, and any Indian tribe or tribes whose reservation lands or
24 usual and accustomed fishing areas include the affected portion of the
25 receiving water body.

26 NEW SECTION. **Sec. 208.** CREATION OF THE STORM WATER FINANCIAL
27 ASSISTANCE ACCOUNT. The storm water financial assistance account is
28 created in the state treasury. Proceeds from the bonds issued under
29 section 203 of this act shall be deposited in the account. The account
30 shall be used for purposes of section 201 of this act. Moneys in the
31 account may be spent only after appropriation.

32 **PART III**
33 **MISCELLANEOUS PROVISIONS**

1 NEW SECTION. **Sec. 301.** SEVERABILITY. If any provision of this
2 act or its application to any person or circumstance is held invalid,
3 the remainder of the act or the application of the provision to other
4 persons or circumstances is not affected.

5 NEW SECTION. **Sec. 302.** Sections 101 through 108 of this act
6 constitute a new chapter in Title 86 RCW.

7 NEW SECTION. **Sec. 303.** Sections 201 through 208 of this act
8 constitute a new chapter in Title 43 RCW.

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