

HOUSE BILL REPORT

SHB 1154

As Amended by the Senate

Title: An act relating to financing of Chehalis basin flood damage reduction and habitat restoration projects.

Brief Description: Concerning the financing of Chehalis basin flood damage reduction and habitat restoration projects.

Sponsors: House Committee on Capital Budget (originally sponsored by Representative DeBolt).

Brief History:

Committee Activity:

Capital Budget: 2/4/20, 2/10/20 [DPS].

Floor Activity:

Passed House: 2/16/20, 95-1.

Senate Amended.

Passed Senate: 3/6/20, 48-0.

House Refused to Concur.

Senate Receded.

Senate Amended.

Passed Senate: 3/12/20, 49-0.

Brief Summary of Substitute Bill

- Authorizes the State Finance Committee to issue up to \$700 million in general obligation bonds to finance Chehalis Basin flood damage reduction and aquatic species habitat restoration projects.
- Creates the Chehalis Basin Taxable Account.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Tharinger, Chair; Callan, Vice Chair; Doglio, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Steele, Assistant Ranking Minority Member; Corry, Davis, Dye, Eslick, Gildon, Harris,

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.

Irwin, Jenkin, Leavitt, Lekanoff, Maycumber, Morgan, Peterson, Riccelli, Santos, Sells, Stonier and Walsh.

Minority Report: Do not pass. Signed by 1 member: Representative Pellicciotti.

Staff: Richelle Geiger (786-7139).

Background:

The Office of Chehalis Basin.

In 2016 the Legislature established the Office of the Chehalis Basin (Office) in the Department of Ecology (Ecology). Its purpose is to aggressively pursue implementation of an integrated strategy and to administer funding for long-term flood damage reduction and aquatic species restoration in the Chehalis River Basin (Basin). The Office must be funded from specific appropriations for basin-related flood hazard reduction and habitat recovery activities.

The Chehalis Basin Account (Account) is an appropriated account in the State Treasury (Treasury). Money in the Account may only be used for the purposes of the Office and for expenses related to bond issuance and sales. Receipts from legislative appropriations or money directed from other sources must be deposited into the Account. Interest earnings must be retained in the Account.

The Chehalis Board.

The Chehalis Board (Board) was also created in 2016. Its responsibilities include oversight of strategy implementation and development of budget recommendations to the Governor. The strategy must include a detailed set of actions, an implementation schedule, and quantified measures to evaluate success. The Board includes seven voting members: four appointed by the Governor, subject to Senate confirmation, including one member representing the Quinault Indian Nation and one member representing the Chehalis Indian Tribe; and three selected by the Chehalis Basin Flood Authority. The Board also includes five nonvoting ex officio members: the Department of Fish and Wildlife director, the State Conservation Commission executive director, the Ecology director, the Commissioner of Public Lands, and the Department of Transportation Secretary. Staffing is provided by Ecology.

Bond Authorization.

The State Finance Committee (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 Committee periodically issues general obligation bonds to finance projects authorized in the capital budget. No bonds may be authorized for sale without prior legislative appropriation of the net proceeds.

General obligation bonds pledge the full faith, credit, and taxing power of the state towards payment of debt service. Funding to pay for principal and interest on those bonds is

appropriated from the State General Fund in the operating budget. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments and deposits them into bond retirement funds.

A bond bill authorizes the Committee to issue general obligation bonds up to a specific amount to finance many of the projects in the capital budget. It specifies the amount of bonds to be issued, the account or accounts into which bond sale proceeds are to be deposited, and identifies sources and timing of debt service payments. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate.

Summary of Substitute Bill:

The Committee is authorized to issue up to \$700 million in state general obligation bonds to finance Chehalis Basin flood damage reduction and aquatic species habitat restoration projects and to pay expenses incurred in the issuance and sale of the authorized bonds. It is the intent of the Legislature that the proceeds be appropriated in phases over 10 biennia, beginning with the 2021-23 biennium. An appropriation is required for the bond sale or use of proceeds.

The Board must determine allocation for appropriated funds. Allocation decisions must be approved by at least 6 of 7 voting members of the Board. The total bond proceeds must be allocated equally between flood damage reduction projects and aquatic species habitat restoration projects.

The Chehalis Basin Taxable Account (Taxable Account) is created in the Treasury. Proceeds from the sale of the tax-exempt bonds must be deposited into the Account, unless the Committee deems it necessary or advantageous to issue the authorized bonds as taxable bonds, in which case the proceeds must be deposited into the Taxable Account. Money in the Taxable Account may only be used after appropriation and for the purposes of the Office and for expenses related to authorized bond issuance and sales. Interest earnings must be retained in the Taxable Account.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment.

- removes the authorization for the State Finance Committee to issue up to \$700 million in general obligation bonds to finance Chehalis Basin flood damage reduction and aquatic species habitat restoration projects;
- requires the Office of the Chehalis Basin (OCB) to submit a list of future projects, with additional specified information, with their 2021-23 capital budget agency decision package;
- adds intent language that the total cost for all submitted projects for the biennium is expected to be consistent with biennial amounts of prior requests, \$50 million in 2017-19 state bonds and \$73.2 million in 2019-21 state bonds;
- requires the OCB to submit a finalized strategic plan, containing an implementation schedule and performance metrics, to the Legislature by January 1, 2021;

- directs the Legislature to conduct a joint hearing within 120 days of receiving the finalized strategic plan to consider potential funding strategies to achieve the implementation schedule; and
- adds intent language for the Legislature to continue to provide significant funding for projects of the OFB.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Flooding in the Basin has been a constant issue over time with many contributing factors that continue to worsen. The first documented catastrophic flood event in the Basin occurred in 1919. Since then, federal, state, and local entities have evaluated the issues and proposed solutions to address either the flood damage to the built environment or the ecological impacts. The catastrophic flooding event in 2007 caused \$9 billion in economic impact to the state, including devastating the agricultural industry in the area and shutting down Interstate 5 and the main rail line between Mexico and Canada, and brought trauma and tragedy to the community.

Following the 2007 flood, a task force was established by the Legislature and the Governor to bring the flood damage reduction and aquatic species habitat restoration proponents together to find solutions that benefit both efforts. The Office and Board were established in 2016 and the solutions being brought forward are the result of years of work and coalition building, and they are science-based, integrated, and balanced. The fish and aquatic species plan is the most sophisticated in the country.

Solutions to issues on this scale are difficult to find, however the group is motivated by a sense of hope and optimism. This bill does not pick solutions, but it ensures funding is available when solutions are found. The legislation is an equitable source of funding that will address the need to find solutions for both people and the built environment in addition to fish and the ecosystem.

The Board is the right group of people to make funding allocation decisions. They knit together the various interests of the region and have the trusting relationships necessary to develop long-term solutions. The cultural and economic identity of the region are linked to the success of the Basin.

Funding solutions now is less expensive than addressing the continued flood damage and prevents further devastation. The Spring Chinook will potentially be listed on the Endangered Species List. To prevent that, investment is required now to restore the habitat while there is the chance.

(Opposed) None.

Persons Testifying: Representative DeBolt, prime sponsor; J. Vander Stoep and Edna Fund, Chehalis Basin Board; Andrea McNamara Doyle, Office of Chehalis Basin; Justin Allegro, The Nature Conservancy; and Jeff Warnke, Confederated Tribes of the Chehalis Reservation.

Persons Signed In To Testify But Not Testifying: None.