

SENATE BILL REPORT

SHB 1154

As of February 26, 2020

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

Committee Activity: Ways & Means: 2/26/20.

Brief Summary of 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.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jed Herman (786-7346)

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 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 Office and 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.

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 Chehalis Board. The Chehalis Board (Board) was also created in 2016. Its responsibilities include oversight of strategy implementation and development of budget recommendations. 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 three-fifths majority vote in both the House of Representatives and the Senate.

Summary of 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 ten 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 six of seven 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.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill will enable the Office of the Chehalis Basin to prioritize complex issues for funding into the future. It could be used as a model for solving other problems in the state. We are doing something extraordinary by having people dedicated to solving flooding and habitat issues in the Basin. We have suffered too much due to flooding and the risk of more flooding. We have a coalition of diverse interests that all need this funding. Large problems need to be solved with people who have trust, and this bill will help build that trust. This is a great opportunity to bring people together.

Persons Testifying: PRO: Justin Allegro, The Nature Conservancy; Frank Corbin, citizen; J Vander Stoep, Chehalis Basin Board; Edna Fund, Lewis County Commissioner and Chehalis Basin Board; Vicki Raines, Grays Harbor County Commissioner and Chair, Chehalis Basin Board.

Persons Signed In To Testify But Not Testifying: No one.