

SENATE BILL REPORT

SHB 1154

As Passed Senate - Amended, March 12, 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; 3/12/20, 95-1.

Committee Activity: Ways & Means: 2/26/20, 3/02/20 [DPA, w/oRec].

Floor Activity:

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

Brief Summary of Amended Bill

- Provides direction to the Office of Chehalis Basin to develop a project list with certain information requirements and submit a report containing a finalized strategic plan with an implementation schedule.
- Specifies a legislative review within 120 days of receipt of the report.
- Creates the Chehalis Basin Taxable Account in the State Treasury.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Becker, Billig, Conway, Darneille, Hasegawa, Hunt, Keiser, Lias, Muzzall, Schoesler, Van De Wege, Wagoner, Warnick and Wilson, L..

Minority Report: That it be referred without recommendation.

Signed by Senators Carlyle and Pedersen.

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.

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.

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 Amended Bill: The Chehalis Basin Taxable Account (Taxable Account) is created in the Treasury. Proceeds from the sale of the tax-exempt bonds, for the purposes of

the Office, 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.

The Office is directed to submit a specific list of future projects with their 2021-23 capital budget decision package. The list must contain the following information:

- project costs and suggested fund sources;
- location information; and
- a time frame, including initiation and completion.

The total cost for all submitted projects are expected to be consistent with biennial amounts of prior requests, which were \$50 million in state bonds in 2017-2019 and \$73.2 million in state bonds in 2019-2021.

The Office is required to submit a finalized strategic plan to the Legislature by January 1, 2021. The plan will include quantified measures for evaluating the success of implementation. Within 120 days of receiving the plan, the appropriate policy and fiscal committees of the Legislature will conduct a joint hearing to consider potential funding strategies to achieve the implementation schedule.

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 on Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* 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.