

HOUSE BILL REPORT

HB 2379

As Reported By House Committee On:

Agriculture & Ecology
Finance

Title: An act relating to creating a property tax credit as an incentive for the improvement and restoration of streams, rivers, and riparian areas.

Brief Description: Allowing a property tax credit as an incentive for the improvement and restoration of streams, rivers, and riparian areas.

Sponsors: Representatives Chandler, B. Thomas, Quall, Hickel, Schoesler, Mastin, Basich, Dyer, Dickerson, Conway, Sheldon, Hymes, Mulliken and Linville.

Brief History:

Committee Activity:

Agriculture & Ecology: 1/22/96, 1/24/96 [DPS];

Finance: 2/5/96 [DP2S(w/o sub AG)].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Chandler, Chairman; Koster, Vice Chairman; Chappell, Ranking Minority Member; Linville, Assistant Ranking Minority Member; Boldt; Clements; Delvin; Honeyford; Johnson; Mastin; Murray; Ogden; Regala; Robertson and Schoesler.

Minority Report: Without recommendation. Signed by 1 member: Representative Rust.

Staff: Kenneth Hirst (786-7105).

Background: Legislation enacted in 1995 directed the state's Conservation Commission to develop a consolidated application process for permits for a watershed restoration project developed by, or sponsored by, an agency on behalf of a volunteer organization. The process was to be developed in consultation with other state agencies, tribes, and local governments. The consolidated process was to provide a single permit application form for, as a minimum approvals related to water quality standards, hydraulic project approvals, and water quality certifications. With certain

exceptions, an application is to be processed without charge, and permit decisions are to be issued within 45 days of receipt of a complete application.

Summary of Substitute Bill: A property tax credit is provided against taxes on certain categories of land for improving streams, rivers, and riparian areas. The land must fall in one of the following categories:

- Land bordering streams that are critical to the recovery of anadromous fishery stocks listed as "critical" or "depressed" in the 1992 Washington State Salmon and Steelhead Stock Inventory published by the Department of Fisheries, the Department of Wildlife, and the Western Washington Treaty of Indian Tribes in March 1993;
- Land within a watershed that is listed as a priority in the Preliminary Priority Watersheds for Restoration and Conservation of Fish and Wildlife published by the Department of Fish and Wildlife and the Department of Natural Resources in February 1995;
- Land bordering streams, rivers, and riparian areas that do not meet water quality standards according to the May 1994 Section 303(d) list published by the Department of Ecology;
- Land within watersheds that have an approved watershed plan developed in accordance with the Puget Sound Water Quality statutes;
- Land abutting streams, rivers, or riparian areas affecting threatened and endangered species as listed in the federal Endangered Species Act; or
- Land included within watershed restoration plans or projects that have been approved under 1995 legislation regarding such projects and volunteer organizations.

Plans. If the owner of such land requests the development of an improvement plan, a conservation district must determine that improvements are necessary to improve the habitat of the stream, river, or riparian area. A plan detailing the improvements to be made is prepared jointly by the district and the Department of Fish and Wildlife. The improvements must be those that would be required to be made by a governmental agency, as resources are available, if the owner does not make them. The plan must be developed using practices listed in the Natural Resources Conservation Service's field office technical guide for the protection or improvement of riparian areas, or practices listed in the 1995 Fish and Wildlife Priority Habitat Management Recommendations: RIPARIAN.

The owner must complete the improvements in accordance with the plan and must provide the district with all receipts for work and materials. The conservation district must inspect the improvements to determine compliance and completion. It then provides the owner with a credit voucher certifying the completion and the amounts spent. The owner submits the voucher to the treasurer of the county in which the

improvement is located, and the treasurer treats the voucher as a monetary payment of property taxes.

A state or local permit cannot be required for the development or implementation of such an improvement plan. The State Environmental Policy Act and the Growth Management Act also do not apply to the development or implementation of such an improvement plan. A landowner making the improvements specified in a plan is not required to maintain the improvements and is not liable for any consequences arising from making the improvements. Such a plan may not include or establish any public access requirements. The conservation district and the department may not consult the Natural Resources Conservation Service regarding the development of the plan without the consent of the landowner.

Tax Credits. The tax credit is a credit against the state's portion of property taxes imposed on the parcel of land. The credit may not be used for property taxes imposed on buildings or other facilities located on the parcel. The credits cannot exceed the amount of the state portion of the taxes levied nor the amount of money the owner spent for the improvements. The credit is for taxes collected each of the two years immediately following the year in which the improvement is completed and paid for. The portion of the state levy reduced by these credits is to be made whole from other state revenues.

The total amount of the credits may not exceed \$6 million for the biennium ending June 30, 1997, \$12 million for the fiscal year ending June 30, 1998, and \$12 million for the fiscal year ending June 30, 1999. The Conservation Commission must keep a running total of the dollar amount of credits approved and immediately notify all conservation districts when the annual maximum dollar amount of credit has been reached. A conservation district cannot issue any credit voucher that would cause an annual limit to be exceeded. The district must advise landowners requesting the development of plans as to whether the total of the estimated costs of implementing plans state-wide approximates these dollar limits for the credits.

Reports. Conservation districts must provide monthly reports to the commission. The commission is to provide grants to conservation districts to reimburse them for the technical assistance. The commission and the Department of Fish and Wildlife must report to the Governor and the Legislature regarding the program by October 1, 1997.

The program expires June 30, 1999.

Substitute Bill Compared to Original Bill: The substitute bill addresses improvement projects, not improvement and restoration projects (as in the original bill); requires plans to be developed jointly by conservation districts and the Department of Fish and Wildlife, rather than by conservation districts; reduces to two

the list of documents to be used in developing plans; expressly allows the plans to include improvements on public lands in streams or rivers; exempts the development and implementation of plans from all state and local permits; states that the landowner making the improvements specified in a plan is not required to maintain the improvements and is not liable for any consequences arising from making the improvements; prohibits improvement plans from containing elements regarding public access; permits the tax credit to be applied against taxes for each of two years rather than one (as in the original bill); does not permit the tax credit to be applied to the taxes on buildings on the land that is improved; requires conservation districts to advise landowners requesting the development of improvement plans when the estimated costs of the plans already developed approximates the amounts available each year as tax credits statewide; and prohibits conservation districts and the department from consulting the Natural Resources Conservation Service regarding the development of a plan without the consent of the landowner.

Appropriation: None.

Fiscal Note: Requested on January 19, 1996.

Effective Date of Substitute Bill: July 1, 1996.

Testimony For: (1) The bill establishes a cooperative effort for enhancing habitat. It provides a good incentive for performing this kind of work and cites good tools to be used in developing plans. It is an improvement over concepts developed earlier for providing this type of habitat enhancement. (2) Conservation districts, using federal funding, have experience developing these types of plans. The bill would provide additional support to the districts for these activities.

Testimony Against: (1) The bill discriminates against agricultural and timber lands because the tax credit available on land taxed as open space land is very small for miles of stream when compared to the amount of credit available to persons with expensive residential homes and property. (2) The amount of the tax credit available in one year is too small to be useful; the credit should be carried forward to additional years. (3) The bill should provide a simplified permit system for implementing the plans. (4) The bill should be clarified to ensure that these improvements are voluntary, do not establish public access requirements, and do not disclose farm operational information to the public. (5) A document prepared under HB 1309 should not be used in developing plans. (6) Some of the terms used in the bill should be defined for clarification.

Testified: Steve Meyer, Conservation Commission; Ted Bottiger, Washington Association of Conservation Districts; Judy Turpin, Washington Environmental Council; Joe LaTourrette, Rivers Council of Washington; and Ron Schultz, National Audubon Society (in favor). Fred Saeger, Washington Association of County

Officials; Kent Lebsack, Washington Cattlemen's Association; and Scott Barr (commented on the bill).

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Agriculture & Ecology. Signed by 12 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Cheri Keller (786-7093).

Summary of Recommendation of Committee on Finance Compared to Recommendation of Committee on Agriculture & Ecology: The substitute bill passed by the Finance Committee added restoration to the definition of "improvements."

Appropriation: None.

Fiscal Note: Requested on January 19, 1996.

Effective Date of Second Substitute Bill: The bill takes effect on July 1, 1996.

Testimony For: This is a great way to promote stewardship of public lands with private help. The conservation districts do good work. This is moving in the right direction, though it should be a permanent program.

Testimony Against: Restoration projects are important and should be put back into the bill. Exempting these projects from local and state permitting may create a problem. This bill may discriminate against residents of eastern Washington and timber owners. It would be easier to administer this program if those doing improvements received checks instead of vouchers.

Testified: Representative Gary Chandler, sponsor; Steve Meyer, Conservation Commission (pro); Ted Bottiger, Washington Association of Conservation Districts (pro); Dan Cantrell, Washington Environmental Council (pro); Jeff Parsons, People for Puget Sound (pro); Liz Pierini, People for Fair Taxes (pro); Fred Saeger, Washington Association of County Officials (con); Christi Norman; and Rose Bowman (concerns).