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## Capital Budget Committee

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### HB 1050

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

**Sponsors:** Representative DeBolt.

#### Brief Summary of Bill

- Authorizes the issuance of \$480 million in general obligation bonds to finance Chehalis Basin flood damage reduction and aquatic species habitat restoration projects.
- Phases in the issuance over 10 years (\$48 million/year), beginning with the 2017-19 biennium.

**Hearing Date:** 2/7/17

**Staff:** Melissa Palmer (786-7388).

#### **Background:**

##### State General Obligation Bonds.

Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith, credit, and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of general obligation bonds requires a 60 percent majority vote in both the House of Representatives and the Senate. Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the State General Fund and deposits them into bond retirement funds. The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds.

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*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.*

As a result of a constitutional amendment approved by voters in 2012, the debt limit is currently 8.25 percent of the average of the prior six years' General State Revenues (GSR), defined as all unrestricted state tax revenues. The limit will be reduced to 8 percent beginning July 1, 2034. As an additional result of the 2012 constitutional amendment, the definition of GSR includes property taxes deposited into the State General Fund. Debt is subject to this limit if it is either backed by the full faith and credit of the state or is payable from GSR.

#### Chehalis River Basin Catastrophic Floods and State Capital Funding.

In December 2007 a series of storms caused flood damage in southwest Washington. On December 8, 2007, the President declared a major disaster in the counties of Grays Harbor, Kitsap, Lewis, Mason, Pacific, and Thurston. Federal funding assistance was made available following this declaration.

In 2008 the Legislature authorized \$50 million in state general obligation bonds for flood hazard mitigation and related projects throughout the Chehalis River Basin. Beginning with the 2007-09 biennium through the 2015-17 biennium, a total of \$92.7 million has been appropriated in capital budgets from state general obligation bonds to the Office of Financial Management (OFM) for catastrophic flood relief and Chehalis River Basin flood relief projects.

#### Department of Ecology.

The Department of Ecology (Ecology) is the lead state agency for floodplain management, which includes flood risk reduction and protection of floodplain environmental functions. Ecology also provides technical assistance to local governments in implementing local floodplain management plans as well as the National Flood Insurance Program. In the fall of 2016, Ecology released a draft programmatic Environmental Impact Statement, which evaluates a variety of actions to reduce flood damage and restore aquatic species habitat.

Legislation in 2016 created the Office of Chehalis Basin (Office) within 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. A Chehalis Board (Board) was also created. 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.

#### **Summary of Bill:**

The State Finance Committee is authorized to issue \$480 million in general obligation bonds to finance Chehalis Basin flood damage reduction and aquatic species habitat restoration projects. The bonds will be appropriated in phases over 10 years (\$48 million/year), beginning with the 2017-19 biennium. The debt service on the bonds will be paid from the state general fund.

The proceeds from the tax-exempt bonds are to be deposited into the Chehalis Basin Account created in 2016. The Chehalis Basin Taxable Account is created and taxable bond proceeds are to be deposited in this account. Both accounts retain their own interest, rather than having the earnings go to the general fund.

**Appropriation:** None.

**Fiscal Note:** Available.

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