

SENATE BILL REPORT

2SHB 1416

As Reported by Senate Committee On:
Governmental Operations, April 1, 2013

Title: An act relating to the financing of irrigation district improvements.

Brief Description: Concerning the financing of irrigation district improvements.

Sponsors: House Committee on Finance (originally sponsored by Representatives Warnick, Manweller, Takko, Fagan and Schmick).

Brief History: Passed House: 3/09/13, 97-0.

Committee Activity: Governmental Operations: 3/21/13, 4/01/13 [DPA].

SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

Majority Report: Do pass as amended.

Signed by Senators Roach, Chair; Benton, Vice Chair; Hasegawa, Ranking Member; Braun, Conway, Fraser and Rivers.

Staff: Sam Thompson (786-7413)

Background: Irrigation districts, authorized in 1890, are among the oldest special purpose districts in Washington. Currently, 95 districts operate in 16 counties. In addition to providing irrigation facilities and services, districts may provide domestic water and a variety of other facilities and services. Some districts cooperate with federal agencies to manage large reclamation projects. While most districts occupy part of a county, a few districts occupy areas in multiple counties.

Voters must approve formation of a district. Districts are governed by boards of directors made up of three, five, or seven members elected to serve three-year terms. Only landowners may participate in district elections and serve as directors. Districts do not have the authority to impose property taxes. Instead, they finance operations by imposing assessments on land and rates and charges for services. They may also issue bonds.

Local Improvement Districts (LIDs). Many local government entities, including irrigation districts, may form LIDs to finance construction of capital improvements. Property owners in an LID pay assessments based upon increases in the value of their property attributable to the construction of the improvement. Formation of an LID may be proposed by petition of

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property owners or by resolution of a governing body. A hearing must be conducted. The governing body may then approve formation of an LID. Certain farm and agricultural land may be exempt from LID assessments, upon request of owners.

After an LID is formed in an irrigation district, the district may issue LID bonds. Unlike LID bonds issued by many other local government entities – including cities, counties, water-sewer districts, and public utility districts – LID bonds issued by an irrigation district constitute a general obligation of the entire district, rather than solely an obligation of the LID.

Summary of Bill (Recommended Amendments): Several provisions concerning irrigation districts are revised.

LID Formation. Provisions are revised to:

- eliminate a requirement for petitioners to pay costs of evaluating a proposed LID;
- provide that an LID may include non-contiguous properties and property in an adjoining irrigation district, with that district's approval;
- clarify that LID improvements may be owned by the irrigation district, another local government entity, the state, or the U.S.;
- authorize a district board to designate a hearing examiner to conduct the hearing to consider formation of an LID, and to report a recommendation to the board for final action; and
- clarify that after receiving a petition a board is not required to form an LID.

LID Assessments and Bonds. Provisions are revised to:

- clarify that farm and agricultural land may not be exempted from assessments in LIDs formed by irrigation districts;
- provide that bonds do not constitute a general obligation of the entire irrigation district;
- delete certain requirements regarding issuance of bonds and clarify that provisions applying to many state and local government entities also apply to irrigation districts;
- clarify that assessments can include several specified administrative costs relating to the improvement;
- authorize the board to provide property owners credit for property donated to the irrigation district in connection with the LID;
- provide that a district may use assessment provisions applying to city or town LIDs;
- authorize a board to designate a hearing officer to conduct a hearing on assessments and report recommendations to the board for final action;
- provide that an LID guarantee fund cannot exceed 10 percent, rather than 5 percent, of outstanding obligations;
- clarify that provisions regarding refunding bonds that apply to many state and local government entities also apply to irrigation districts;
- provide that foreclosure proceedings can begin 24 months after an LID assessment is delinquent, conforming to standards applying to other local government entities;
- delete a requirement that any district indebted to the state get the consent of the Director of the Department of Ecology prior to issuing bonds; and
- provide that assessments in utility local improvement districts paid before issuance and sale of bonds must be deposited into a separate fund.

Transfer of Federal Facilities. In agreements with the U.S. government transferring operation and maintenance of federal reclamation project works, any provision purporting to indemnify against liability for damages caused by or resulting from negligent acts or omissions of the U.S., its employees, or agents is not enforceable unless expressly authorized by state law.

EFFECT OF CHANGES MADE BY GOVERNMENTAL OPERATIONS COMMITTEE (Recommended Amendments): The amendment adds a provision regarding agreements with the U.S. government transferring operation and maintenance of federal reclamation project works. It specifies that any provision purporting to indemnify against liability for damages caused by or resulting from negligent acts or omissions of the U.S., its employees, or agents is not enforceable unless expressly authorized by state law.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Second Substitute House Bill: PRO: This bill will facilitate a project in eastern Washington that could irrigate thousands of acres and reduce demands on a depleted aquifer. Reduced federal funding compels districts to provide more local funding. The bill conforms district LID provisions with provisions applying to other local governments. The Washington State Water Resources Association proposes an amendment limiting enforceability of agreements to indemnify the U.S. for damages resulting from U.S. negligence regarding federal reclamation project works.

Persons Testifying: PRO: Representative Warnick, prime sponsor; Mike Schwisow, WA State Water Resources Assn.