

HOUSE BILL REPORT

HB 1050

As Reported by House Committee On: Capital Budget

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: Representative DeBolt.

Brief History:

Committee Activity:

Capital Budget: 2/7/17, 2/10/17 [DP].

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 per year), beginning with the 2017-19 biennium.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: Do pass. Signed by 19 members: Representatives Tharinger, Chair; Doglio, Vice Chair; Peterson, Vice Chair; DeBolt, Ranking Minority Member; Smith, Assistant Ranking Minority Member; Dye, Johnson, Koster, Kraft, MacEwen, Macri, Morris, Reeves, Riccelli, Ryu, Sells, Steele, Stonier and J. Walsh.

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

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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.

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 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 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 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 River Basin flood damage reduction and aquatic species habitat restoration projects. The bonds will be appropriated in phases over 10 years (\$48 million per 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 State 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.

Staff Summary of Public Testimony:

(In support) This is a long-term answer to reduce damage caused by flooding and restore habitat. Over the years, there have been various groups working on this effort. For 100 years, there have been catastrophic flooding events in the Chehalis River Basin. Historically at both the state and federal level, it is a sad story of trying to address this issue and failing. However, more recently, the work has focused on identifying a solution. It is important to note that currently the Chehalis River Basin is heading towards having species listed on the Endangered Species Act. There are both flood damage reduction needs and habitat needs in the Chehalis River Basin.

Interstate 5 (I-5) and the railroad run through the area, so it affects the state as a whole. When I-5 was shut down for five days after a flooding event, there was a dramatic impact on commerce in Washington. Without action, there will be a decline of fisheries. A programmatic Environmental Impact Statement is scheduled to be finished in July of 2017. This approach would provide funding towards addressing both the issues of both flooding and habitat restoration.

(Opposed) None.

Persons Testifying: Representative DeBolt, prime sponsor; and J. Vander Stoep, Chehalis Basin Governor's Workgroup.

Persons Signed In To Testify But Not Testifying: None.