

HOUSE BILL REPORT

HB 2026

*As Reported By House Committee on:
Natural Resources & Parks
Revenue*

Title: An act relating to water resource management.

Brief Description: Providing for comprehensive water resources management.

Sponsor(s): Representatives Fraser, Miller, Valle, Rayburn, McLean, Belcher, Jacobsen, Nealey, Paris, Winsley and Chandler; by request of Joint Select Committee on Water Resource Policy.

Brief History:

Reported by House Committee on:
Natural Resources & Parks, March 5, 1991, DPS;
Revenue, March 10, 1991, DPS(NRP)-A.

**HOUSE COMMITTEE ON
NATURAL RESOURCES & PARKS**

Majority Report: *That Substitute House Bill No. 2026 be substituted therefor, and the substitute bill do pass.* Signed by 9 members: Representatives Belcher, Chair; Scott, Vice Chair; Brumsickle, Assistant Ranking Minority Member; Dellwo; Fraser; Hargrove; Riley; Sheldon; and Wynne.

Minority Report: *Without recommendation.* Signed by 2 members: Representatives Beck, Ranking Minority Member; and Morton.

Staff: Randy Acker (786-7129).

Background: In the 1990 legislative session, ESHB 2932 was enacted requiring development of a comprehensive water resources planning process involving state, local, and tribal governments together with all affected interests. These groups met through the summer and fall and reached final agreement during a meeting in November 1990 at Lake Chelan.

The Chelan Agreement, as it is commonly referred to, calls for the implementation of cooperative regional water resources planning, continuation of efforts to develop a comprehensive water resources data management system, a

process for resolving localized water resources conflicts, establishment of an ongoing policy advisory group called the Water Resources Forum, legislation that would enhance water conservation and water use efficiency improvements, financial assistance to enable the participation of parties who are essential to the forum, and planning and conflict management elements. Portions of the funding for the agreement were anticipated and were included in the governor's proposed budget. This funding covers regional water resources planning - 1,249,000, improved data management - \$1,544,000, and growth management related activities - \$1,823,000.

Because the Chelan Agreement was not developed until November 1990, the other elements requiring funding and/or legislation were not known at the time the governor's budget was being finalized. The unfunded components of the agreement include the following: 1) water conservation; 2) assuring compliance with water resources laws and regulations; 3) a consultation process for critical water resource areas; 4) the Water Resources Forum; and 5) assistance to governments and other participants.

Summary of Substitute Bill: Legislative findings acknowledge: 1) the shortage of water resources to meet future needs; 2) the desire among governments and water interests to pursue cooperative planning; 3) the preference for conservation and water use efficiency efforts to meet current needs and assist in meeting future needs; and 4) the interest of the state in developing cooperative programs and regional water resource plans.

State funding for water resources shall, to the extent possible, be directed to resolve present conflicts and meet current needs identified in regional water resource plans. Priority is given to state funded water conservation projects creating the greatest water savings.

A procedure is established to facilitate the voluntary transfer of water and water rights, including conserved water, to provide water for presently unmet needs and emerging needs.

The sale of plumbing fixtures that do not conform to the 1989 Water Use Efficiency Act is prohibited.

A retail sales tax deferral for water conserving irrigation equipment is established.

An exemption from real and personal ad valorem taxes for water-conserving irrigation equipment is established.

An annual tax of \$2 per year is established for customers of public water systems. The tax expires on June 30, 1993. Receipts from the tax are deposited in a newly created Water Management Account and used to fund appropriations made in this bill.

A newly created Water Restoration Account is created to be used for restoration of water and related resources that are damaged.

The Department of General Administration is directed to evaluate state facilities to determine the potential for improving efficiency of water use and to report to the Legislature by July 1, 1993, on its findings.

Cities, towns, water and sewer districts, public utility districts and water companies are permitted to consider conservation incentives and disincentives when setting rates.

Substitute Bill Compared to Original Bill: The original bill moved the effective date for new plumbing code standards from July 1, 1993, to July 1, 1992. The substitute moves the effective date back to 1993. The substitute adds a sales tax deferral and exemption from real and personal property taxes for water-conserving irrigation equipment and an annual tax of \$2 per year for customers of public water systems. A water management account is created and appropriations are made from this account instead of the general fund.

Fiscal Note: Requested February 21, 1991.

Appropriation: Yes.

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

Testimony For: This bill strives to meet the goals of cooperation established in the Chelan agreement. This establishes a government to government process to resolve significant water problems by working together. This bill is a package and it needs to be supported in its entirety. Local governments, the tribes, environmentalists, agricultural interests, business, and fishermen support this legislation. It is an important first step forward if the state is to adequately deal with water resources issues.

Testimony Against: None.

Witnesses: Kaleen Cottingham, Governor's Office; Lloyd Warren, City of Bellevue (pro); Alice Parker, representing

agricultural interests (pro); Don Brunell, Association of Washington Business (pro); Mike Williams, Washington Environmental Council (pro); Harry Smiskin, Yakima Tribe (pro); Ralph Huth, Washington Fly Fishing Club (pro); Terry Williams, Tulalip Tribe (pro); Randy Ray, Salmon for Washington (pro); Will Knedlik, private citizen (generally supports, but bill needs to be amended); and Paul Parker, WA State Association of Counties (pro).

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill by Committee on Natural Resources and Parks be substituted therefor and the substitute bill as amended by Committee on Revenue do pass.* Signed by 13 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; Morton; Phillips; and Rust.

Minority Report: *Do not pass.* Signed by 2 members: Representatives Silver and Van Luven.

Staff: Ed Dee (786-7449).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Natural Resources & Parks: The substitute bill as amended by the Committee on Revenue removes the retail sales tax deferral and the real and personal property tax exemptions for water conserving irrigation equipment. It removes the business and occupation tax exemption and the use tax exemption for the treatment, processing, or use of effluent water purchased for commercial use from public sewage treatment facilities. It removes the water utility tax of \$2 per year imposed on customers of public water systems. Also removed is the emergency clause for implementation of the water utility tax. The substitute bill as amended by the Committee on Revenue eliminates the evaluation and report by the Department of General Administration on the potential for improving water use efficiency in state-owned facilities, and eliminates all appropriations contained in the substitute bill by the Committee on Natural Resources and Parks.

Fiscal Note: Requested February 21, 1991.

Appropriation: Removed.

Effective Date of Substitute Bill as Amended: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is necessary to implement the cooperative water resource planning process developed by state, tribal, and local governments and significant water interests throughout the state. The conservation programs and incentives will help address present and future water supply needs. The tax imposed on customers of public water systems is needed to provide funding for the conservation programs and the planning process during the next biennium, after which other funding sources will need to be identified. Local governments and water utilities support the substitute bill of the Committee on Natural Resources and Parks.

Testimony Against: None.

Witnesses: Randy Ray, Salmon for Washington; and Lloyd Warren, city of Bellevue.