

SHB 1414 - H AMD 579

By Representative Reykdal

NOT CONSIDERED

1 Strike everything after the enacting clause and insert the
2 following:

3 "PART I: INTENT

4 **Sec. 1.** RCW 90.38.005 and 1989 c 429 s 1 are each amended to read
5 as follows:

6 (1) The legislature finds that:

7 (a) Under present physical conditions in the Yakima river basin
8 there is an insufficient supply of ground and surface water to satisfy
9 the present needs of the basin, and that the general health, welfare,
10 and safety of the people of the Yakima river basin depend upon the
11 conservation, management, development, and optimum use of all the
12 basin's water resources;

13 (b) (~~Pursuant to P.L. 96-162,~~) The future competition for water
14 among municipal, domestic, industrial, agricultural, and instream water
15 interests in the Yakima river basin will be intensified by continued
16 population growth, and by changes in climate and precipitation
17 anticipated to reduce the basin's snow pack and thereby reduce the
18 total water supply available to existing water users, instream flows,
19 and carryover storage;

20 (c) To address the challenges described in this subsection,
21 congress has enacted several bills to promote Yakima river basin water
22 enhancement, each of which was urged for enactment by this state, the
23 United States (~~is now conducting~~) has completed a study of ways to
24 provide needed waters through improvements of the federal water project
25 presently existing in the Yakima river basin, and federal, tribal,
26 state, and local cooperators have developed an integrated water
27 resource management plan for improving water supply, habitat, and
28 stream flow conditions in the Yakima river basin;

1 (d) As part of the Yakima river basin water enhancement project,
2 the United States department of the interior's bureau of reclamation is
3 now seeking funding to support implementation of the integrated water
4 resource management plan for the Yakima river basin, which was jointly
5 prepared by the Washington department of ecology and the United States
6 bureau of reclamation and published in a final programmatic
7 environmental impact statement in March 2012;

8 ((+e)) (e) The interests of the state will be served by developing
9 programs, in cooperation with the United States and the various water
10 users in the basin, that increase the overall ability to manage basin
11 waters in order to better satisfy both present and future needs for
12 water in the Yakima river basin;

13 (f) The interests of the state will also be served through
14 coordination of federal and state policies and procedures in order to
15 develop and implement projects within the framework of the integrated
16 water resource management plan for the Yakima river basin. The pace of
17 integrated plan implementation over the long term depends upon adequate
18 funding and is subject to the availability of amounts appropriated for
19 this purpose; and

20 (g) Although significant benefits are anticipated to result from
21 the implementation of the Yakima integrated plan, in light of its
22 substantial costs and the state's limited capacity to absorb them
23 within existing resources, there is a need to identify and evaluate
24 potential new state and local revenue sources to assist in paying the
25 state and local share of implementation costs.

26 (2) It is the purpose of this chapter, consistent with these
27 findings, to:

28 (a) Improve the ability of the state to work with the United States
29 and various water users of the Yakima river basin in a program designed
30 to satisfy both existing rights, and other presently unmet as well as
31 future needs of the basin; and

32 (b) Establish legislative intent, conditioned by section 11 of this
33 act, to promote timely and effective implementation of the integrated
34 plan in the Yakima river basin, and to promote solutions that provide
35 concurrent benefits to both instream and out-of-stream uses in the
36 Yakima river basin as rapidly as possible.

37 (3) The provisions of this chapter apply only to waters of the
38 Yakima river basin.

1 **PART II: YAKIMA RIVER BASIN INTEGRATED PLAN IMPLEMENTATION**

2 **Sec. 2.** RCW 90.38.010 and 1989 c 429 s 2 are each amended to read
3 as follows:

4 (~~Unless the context clearly requires otherwise,~~) The definitions
5 in this section apply throughout this chapter unless the context
6 clearly requires otherwise.

7 (1) "Department" means the department of ecology.

8 (2) "Integrated plan" means the Yakima river basin integrated water
9 resource management plan developed through a consensus-based approach
10 by a diverse work group of representatives of the Yakama Nation,
11 federal, state, county, and city governments, environmental
12 organizations, and irrigation districts and for which the final
13 programmatic environmental impact statement was made available for
14 review through public notice published in the federal register (77 FR
15 12076 (2012)).

16 (3) "Net water savings" means the amount of water that through
17 hydrological analysis is determined to be conserved and usable for
18 other purposes without impairing existing water rights, reducing the
19 ability to deliver water, or reducing the supply of water that
20 otherwise would have been available to other water users.

21 (~~(3)~~) (4) "Trust water right" means that portion of an existing
22 water right, constituting net water savings, that is no longer required
23 to be diverted for beneficial use due to the installation of a water
24 conservation project that improves an existing system. The term "trust
25 water right" also applies to any other water right acquired by the
26 department under this chapter for management in the Yakima river basin
27 trust water rights program.

28 (~~(4)~~) (5) "Water conservation project" means any project funded
29 to further the purposes of this chapter and that achieves physical or
30 operational improvements of efficiency in existing systems for
31 diversion, conveyance, or application of water under existing water
32 rights.

33 (6) "Yakima river basin water enhancement project" means a series
34 of congressional enactments, originally initiated by the United States
35 congress in 1979 under P.L. 96-162, with subsequent federal
36 implementing legislation being passed in 1984 under section 109 of P.L.
37 98-381 to promote fish passage improvements, and in 1994 under P.L.

1 103-434, as amended by P.L. 105-62 in 1997 and P.L. 106-372 in 2000, to
2 promote water conservation, water supply, habitat, and stream
3 enhancement improvements in the Yakima river basin.

4 NEW SECTION. **Sec. 3.** A new section is added to chapter 90.38 RCW
5 to read as follows:

6 The department is authorized to implement, consistent with this
7 chapter, the integrated plan in the Yakima river basin, through a
8 coordinated effort of affected federal, state, and local agencies and
9 resources, to develop water supply solutions that provide concurrent
10 benefits to both instream and out-of-stream uses, and to address a
11 variety of water resource and ecosystem problems affecting fish
12 passage, habitat functions, and agricultural, municipal, and domestic
13 water supply in the Yakima river basin, consistent with the integrated
14 plan.

15 (1) Authorized department actions include, but are not limited to:

16 (a) Accepting funds from any entity, public or private, as
17 necessary to implement the objectives of this chapter;

18 (b) Assessing, planning, and developing projects under the Yakima
19 river basin integrated water resource management plan, or for any other
20 action designed to provide access to new water supplies within the
21 Yakima river basin, consistent with the integrated plan and including
22 but not limited to: Enhanced water conservation and efficiency
23 measures, water reallocation markets, in-basin surface and groundwater
24 storage facilities, fish passage at existing in-basin reservoirs,
25 structural and operational modifications to existing facilities,
26 habitat protection and restoration, and general watershed enhancements
27 as necessary to implement the objectives of this chapter and the
28 integrated plan; and

29 (c) Entering into contracts to ensure the effective delivery of
30 water and to provide for the design and construction of facilities
31 necessary to implement the objectives of the integrated plan and this
32 chapter.

33 (2) Consistent with the integrated plan, the goals and objectives
34 of department actions authorized under this chapter include, but are
35 not limited to:

36 (a) Protection, mitigation, and enhancement of fish and wildlife
37 through improved water management; improved instream flows; improved

1 water quality; protection, creation, and enhancement of wetlands;
2 improved fish passage, and by other appropriate means of habitat
3 improvement, including the protection and enhancement of natural
4 wetlands, floodplains, and groundwater storage systems;

5 (b) Improved water availability and reliability, and improved
6 efficiency of water delivery and use, to enhance basin water supplies
7 for agricultural irrigation, municipal, commercial, industrial,
8 domestic, and environmental water uses;

9 (c) Establishment of more efficient water markets and more
10 effective operational and structural changes to manage variability of
11 water supplies and to prepare for the uncertainties of climate change,
12 including but not limited to the facilitation of water banking, water
13 right transfers, dry year options, the voluntary sale and lease of
14 land, water, or water rights from any entity or individual willing to
15 limit or forego water use on a temporary or permanent basis, and any
16 other innovative water allocation tools used to maximize the utility of
17 existing Yakima river basin water supplies, as long as the
18 establishment and use of these tools is consistent with the integrated
19 plan.

20 (3) Water supplies secured through the development of new storage
21 facilities or expansion of existing storage facilities made possible
22 with funding from the Yakima integrated plan implementation account
23 created in section 4 of this act, the Yakima integrated plan
24 implementation taxable bond account created in section 5 of this act,
25 and the Yakima integrated plan implementation recovery account created
26 in section 6 of this act must be allocated for out-of-stream uses and
27 to augment instream flows consistent with the Yakima river basin
28 integrated water resource management plan. Water to be made available
29 to benefit out-of-stream uses under this subsection, but not yet
30 appropriated, must be temporarily available to augment instream flows
31 to the extent that it does not impair existing water rights and is
32 consistent with the integrated plan.

33 NEW SECTION. **Sec. 4.** A new section is added to chapter 90.38 RCW
34 to read as follows:

35 (1) The Yakima integrated plan implementation account is created in
36 the state treasury. All receipts from direct appropriations from the
37 legislature, moneys directed to the account pursuant to this chapter,

1 or moneys directed to the account from any other sources must be
2 deposited in the account. The account is intended to fund projects
3 using tax exempt bonds. Moneys in the account may be spent only after
4 appropriation. Expenditures from the account may be used only as
5 provided in this section. Interest earned by deposits in the account
6 will be retained in the account.

7 (2) Expenditures from the account created in this section may be
8 used to assess, plan, and develop projects under the Yakima river basin
9 integrated water resource management plan or for any other actions
10 designed to provide access to new water supplies within the Yakima
11 river basin for both instream and out-of-stream uses, consistent with
12 the integrated plan and the authorities, goals, and objectives set
13 forth in section 3 of this act.

14 (3)(a) Funds may not be expended from the account for the
15 construction of a new storage facility until the department evaluates
16 the following:

17 (i) Water uses to be served by the facility;

18 (ii) The quantity of water necessary to meet the needs of those
19 uses;

20 (iii) The benefits and costs to the state of serving those uses,
21 including short-term and long-term economic, cultural, and
22 environmental effects; and

23 (iv) Alternative means of supplying water to meet those uses,
24 including the costs of those alternatives and an analysis of the extent
25 to which the long-term water supply needs are able to be met using
26 those alternatives.

27 (b) The department may rely on studies and information developed
28 through compliance with other state and federal requirements and other
29 sources. The department shall compile its findings and conclusions and
30 provide a summary of the information it reviewed.

31 (c) Before finalizing its evaluation under the provisions of this
32 subsection, the department shall make the preliminary evaluation
33 available to the public. Public comment may be made to the department
34 within thirty days of the date the preliminary evaluation is made
35 public.

36 (4) For water supplies developed under the integrated plan to
37 support future municipal and domestic water needs, the department shall
38 give preference to other entities in managing water service contracts.

1 Where the department determines that the management of such contracts
2 by other entities is not feasible or suitable, the department may enter
3 into water service contracts with applicants receiving water from the
4 program to recover all or a portion of the cost of developing water
5 supplies made possible with funding from the account created in this
6 section. The department may deny an application if the applicant does
7 not enter into a water service contract. Revenue collected from water
8 service contracts must be deposited into the Yakima integrated plan
9 implementation recovery account created in section 6 of this act. The
10 department may adopt rules describing the methodology as to how charges
11 will be established and direct costs recovered for water supply
12 developed under the Yakima river basin integrated water resource
13 management plan implementation program.

14 NEW SECTION. **Sec. 5.** A new section is added to chapter 90.38 RCW
15 to read as follows:

16 (1) The Yakima integrated plan implementation taxable bond account
17 is created in the state treasury. All receipts from direct
18 appropriations from the legislature, moneys directed to the account
19 pursuant to this chapter, or moneys directed to the account from any
20 other sources must be deposited in the account. The account is
21 intended to fund projects using taxable bonds. Moneys in the account
22 may be spent only after appropriation. Expenditures from the account
23 may be used only as provided in this section. Interest earned by
24 deposits in the account will be retained in the account.

25 (2) Expenditures from the account created in this section may be
26 used to assess, plan, and develop projects under the Yakima river basin
27 integrated water resource management plan or for any other actions
28 designed to provide access to new water supplies within the Yakima
29 river basin for both instream and out-of-stream uses, consistent with
30 the integrated plan and the authorities, goals, and objectives set
31 forth in section 3 of this act.

32 (3)(a) Funds may not be expended from the account for the
33 construction of a new storage facility until the department evaluates
34 the following:

35 (i) Water uses to be served by the facility;

36 (ii) The quantity of water necessary to meet the needs of those
37 uses;

1 (iii) The benefits and costs to the state of serving those uses,
2 including short-term and long-term economic, cultural, and
3 environmental effects; and

4 (iv) Alternative means of supplying water to meet those uses,
5 including the costs of those alternatives and an analysis of the extent
6 to which the long-term water supply needs are able to be met using
7 those alternatives.

8 (b) The department may rely on studies and information developed
9 through compliance with other state and federal requirements and other
10 sources. The department shall compile its findings and conclusions and
11 provide a summary of the information it reviewed.

12 (c) Before finalizing its evaluation under the provisions of this
13 subsection, the department shall make the preliminary evaluation
14 available to the public. Public comment may be made to the department
15 within thirty days of the date the preliminary evaluation is made
16 public.

17 (4) For water supplies developed under the integrated plan to
18 support future municipal and domestic water needs, the department shall
19 give preference to other entities in managing water service contracts.
20 Where the department determines that the management of such contracts
21 by other entities is not feasible or suitable, the department may enter
22 into water service contracts with applicants receiving water from the
23 program to recover all or a portion of the cost of developing water
24 supplies made possible with funding from the account created in this
25 section. The department may deny an application if the applicant does
26 not enter into a water service contract. Revenue collected from water
27 service contracts must be deposited into the Yakima integrated plan
28 implementation recovery account created in section 6 of this act. The
29 department may adopt rules describing the methodology as to how charges
30 will be established and direct costs recovered for water supply
31 developed under the Yakima river basin integrated water resource
32 management plan implementation program.

33 NEW SECTION. **Sec. 6.** A new section is added to chapter 90.38 RCW
34 to read as follows:

35 (1) The Yakima integrated plan implementation recovery account is
36 created in the state treasury. All receipts from direct appropriations
37 from the legislature, moneys directed to the account pursuant to this

1 chapter, or moneys directed to the account from any other sources must
2 be deposited in the account. The account is intended to fund projects
3 using revenues from water service contracts as authorized in this
4 chapter. Moneys in the account may be spent only after appropriation.
5 Expenditures from the account may be used only as provided in this
6 section. Interest earned by deposits in the account will be retained
7 in the account.

8 (2) Expenditures from the account created in this section may be
9 used to assess, plan, and develop projects under the Yakima river basin
10 integrated water resource management plan or for any other actions
11 designed to provide access to new water supplies within the Yakima
12 river basin for both instream and out-of-stream uses, consistent with
13 the integrated plan and the authorities, goals, and objectives set
14 forth in section 3 of this act.

15 (3)(a) Funds may not be expended from the account for the
16 construction of a new storage facility until the department evaluates
17 the following:

- 18 (i) Water uses to be served by the facility;
- 19 (ii) The quantity of water necessary to meet the needs of those
20 uses;
- 21 (iii) The benefits and costs to the state of serving those uses,
22 including short-term and long-term economic, cultural, and
23 environmental effects; and
- 24 (iv) Alternative means of supplying water to meet those uses,
25 including the costs of those alternatives and an analysis of the extent
26 to which the long-term water supply needs are able to be met using
27 those alternatives.

28 (b) The department may rely on studies and information developed
29 through compliance with other state and federal requirements and other
30 sources. The department shall compile its findings and conclusions and
31 provide a summary of the information it reviewed.

32 (c) Before finalizing its evaluation under the provisions of this
33 subsection, the department shall make the preliminary evaluation
34 available to the public. Public comment may be made to the department
35 within thirty days of the date the preliminary evaluation is made
36 public.

37 (4) For water supplies developed under the integrated plan to
38 support future municipal and domestic water needs in the Yakima basin,

1 the department shall give preference to other entities in managing
2 water service contracts. Where the department determines that the
3 management of such contracts by other entities is not feasible or
4 suitable, the department may enter into water service contracts with
5 applicants receiving water from the program to recover all or a portion
6 of the cost of developing water supplies made possible with funding
7 from the account created in this section. The department may deny an
8 application if the applicant does not enter into a water service
9 contract. Revenue collected from water service contracts must be
10 deposited into the Yakima integrated plan implementation recovery
11 account created in this section. The department may adopt rules
12 describing the methodology as to how charges will be established and
13 direct costs recovered for water supply developed under the Yakima
14 river basin integrated water resource management plan implementation
15 program.

16 **Sec. 7.** RCW 90.38.900 and 1989 c 429 s 7 are each amended to read
17 as follows:

18 The policies and purposes of this chapter shall not be construed as
19 replacing or amending the policies or the purposes for which funds
20 available under chapter 43.83B (~~(or)~~), 43.99E, or 90.90 RCW may be used
21 within or without the Yakima river basin.

22 **Sec. 8.** RCW 90.38.902 and 1989 c 429 s 9 are each amended to read
23 as follows:

24 (1) Nothing in this chapter shall authorize the impairment of, or
25 operate to impair, any existing water rights.

26 (2) Nothing in this chapter may be construed to limit, impair,
27 waive, abrogate, or diminish:

28 (a) Any treaty or other rights of the Yakama Nation;

29 (b) Any powers, rights, or authorities conferred upon irrigation
30 districts under existing law;

31 (c) Any rights or jurisdictions of the United States, the state of
32 Washington, or other person or entity over waters in the Yakima river
33 basin.

34 **PART III: OVERSIGHT AND STUDIES**

1 NEW SECTION. **Sec. 9.** A new section is added to chapter 90.38 RCW
2 to read as follows:

3 (1) By December 1, 2015, and by December 1st of every odd-numbered
4 year thereafter, and in compliance with RCW 43.01.036, the department,
5 in consultation with the United States bureau of reclamation, the
6 Yakama Nation, Yakima river basin local governments, and key basin
7 stakeholders, shall provide a Yakima river basin integrated water
8 resource management plan implementation status report to the
9 legislature, the office of the state treasurer, and to the governor.

10 (2) The report must include, at a minimum:

11 (a) A description of measures that have been funded and implemented
12 in the Yakima river basin and their effectiveness in meeting the
13 objectives of this act;

14 (b) A project funding list that represents the state's percentage
15 cost share to implement the integrated plan measures for the current
16 biennium;

17 (c) A description of progress toward concurrent realization of the
18 integrated plan's fish passage, watershed enhancement, and water supply
19 goals; and

20 (d) An annual summary of all associated costs to develop and
21 implement projects within the framework of the integrated plan for the
22 Yakima river basin.

23 (3) This section expires December 31, 2045.

24 NEW SECTION. **Sec. 10.** (1) The state of Washington water research
25 center must prepare a separate benefit-cost analysis for each of the
26 projects, listed in subsection (7) of this section, that are proposed
27 in the 2012 Yakima river basin integrated water resources management
28 plan (Yakima integrated plan).

29 (2) To the greatest extent possible, the center must use
30 information from existing studies, supplemented by primary research, to
31 measure and evaluate each project's benefits and costs.

32 (3) The center must measure and report the economic benefits of
33 each project on a disaggregated basis, so that it is clear the extent
34 to which an individual project is expected to result in increases in
35 fish populations, increases in the reliability of irrigation water
36 during severe drought years, and improvements in municipal and domestic
37 water supply.

1 (4) The center may enter into agreements with other state
2 universities and with private consultants as needed to accomplish the
3 scope of work.

4 (5) The center may consult, as necessary, with the department of
5 ecology and the Yakima river basin water enhancement project work
6 group.

7 (6) No more than twelve percent of any appropriations provided for
8 the implementation of this section may be retained for administrative
9 overhead expenses.

10 (7) The center must submit, consistent with RCW 43.01.036, the
11 benefit-cost analyses, findings, and any recommendations on the
12 following projects by December 15, 2014:

- 13 (a) Tributary/mainstem enhancement;
- 14 (b) Box Canyon creek;
- 15 (c) Subordination of power generation (Roza and Chandler);
- 16 (d) Aquifer storage and recovery projects;
- 17 (e) Agricultural conservation;
- 18 (f) Municipal conservation;
- 19 (g) Water bank exchange programs;
- 20 (h) Cle Elum reservoir;
- 21 (i) Keechelus, Kachess, Tieton reservoirs;
- 22 (j) Keechelus to Kachess pipeline;
- 23 (k) Wymer reservoir;
- 24 (l) Bumping reservoir enlargement.
- 25 (8) This section expires July 1, 2015.

26 NEW SECTION. **Sec. 11.** A new section is added to chapter 90.38 RCW
27 to read as follows:

28 (1)(a) It is the intent of the legislature for the state to pay its
29 fair share of the cost to implement the integrated plan. Consistent
30 with this intent, at least one-half of all costs associated with the
31 implementation of section 3 of this act and the integrated plan must be
32 funded through federal, private, and other nonstate sources, including
33 a significant contribution of funding from local project beneficiaries.

34 (b) The state's continuing support for the integrated plan shall be
35 formally reevaluated independently by the governor and the legislature
36 if the actual funding provided through nonstate sources is less than

1 one-half of all costs and if funding from local project beneficiaries
2 does not comprise a significant portion of the nonstate sources.

3 (2) The office of the state treasurer shall deliver, consistent
4 with the intent of this section and in consultation with the department
5 of ecology, a cost estimate and financing plan that addresses the total
6 estimated cost to implement the integrated plan and analyzes various
7 financing options.

8 (3) The cost estimate and financing plan required by this section
9 must, at a minimum:

10 (a) Include a description of state expenditures as of the effective
11 date of this section incurred implementing the integrated plan and
12 proposed state expenditures in the 2015-2017 biennium and beyond with
13 linked proposed financing sources for each project;

14 (b) Identify and evaluate potential new state financing sources to
15 pay for the state's contribution towards the overall costs of the
16 Yakima integrated plan's implementation;

17 (c) Identify and evaluate potential new local financing sources to
18 pay for a significant local contribution towards the overall costs of
19 the Yakima integrated plan's implementation;

20 (d) Consider the viability, and evaluate the pros and cons, of
21 various financing mechanisms such as revenue bonds, general obligation
22 bonds, and other similar financing models;

23 (e) Identify past, current, and anticipated future costs that will
24 be, or are anticipated to be, paid by nonstate sources such as federal
25 sources, private sources, and local sources;

26 (f) Consider how cost overruns of projects associated with the
27 integrated plan could affect long-term financing of the overall
28 integrated plan and provide options for how cost overruns can be
29 addressed.

30 (4) The office of the state treasurer may, in the sole discretion
31 of the state treasurer, contract with state universities or private
32 consultants for any part of the cost estimate and financing plan
33 required under this section.

34 (5) The initial cost estimate and financing plan required by this
35 section must be provided to the governor and the legislature,
36 consistent with RCW 43.01.036, by no later than December 15, 2014, for
37 consideration in preparing the 2015-2017 biennial budget and future

1 budgets. The cost estimate and financing plan must be updated by
2 September 1st of each successive even-numbered year.

3 **PART IV: ACCOUNT INTEREST**

4 **Sec. 12.** RCW 43.84.092 and 2013 2nd sp.s. c 1 s 15 are each
5 amended to read as follows:

6 (1) All earnings of investments of surplus balances in the state
7 treasury shall be deposited to the treasury income account, which
8 account is hereby established in the state treasury.

9 (2) The treasury income account shall be utilized to pay or receive
10 funds associated with federal programs as required by the federal cash
11 management improvement act of 1990. The treasury income account is
12 subject in all respects to chapter 43.88 RCW, but no appropriation is
13 required for refunds or allocations of interest earnings required by
14 the cash management improvement act. Refunds of interest to the
15 federal treasury required under the cash management improvement act
16 fall under RCW 43.88.180 and shall not require appropriation. The
17 office of financial management shall determine the amounts due to or
18 from the federal government pursuant to the cash management improvement
19 act. The office of financial management may direct transfers of funds
20 between accounts as deemed necessary to implement the provisions of the
21 cash management improvement act, and this subsection. Refunds or
22 allocations shall occur prior to the distributions of earnings set
23 forth in subsection (4) of this section.

24 (3) Except for the provisions of RCW 43.84.160, the treasury income
25 account may be utilized for the payment of purchased banking services
26 on behalf of treasury funds including, but not limited to, depository,
27 safekeeping, and disbursement functions for the state treasury and
28 affected state agencies. The treasury income account is subject in all
29 respects to chapter 43.88 RCW, but no appropriation is required for
30 payments to financial institutions. Payments shall occur prior to
31 distribution of earnings set forth in subsection (4) of this section.

32 (4) Monthly, the state treasurer shall distribute the earnings
33 credited to the treasury income account. The state treasurer shall
34 credit the general fund with all the earnings credited to the treasury
35 income account except:

1 (a) The following accounts and funds shall receive their
2 proportionate share of earnings based upon each account's and fund's
3 average daily balance for the period: The aeronautics account, the
4 aircraft search and rescue account, the Alaskan Way viaduct replacement
5 project account, the brownfield redevelopment trust fund account, the
6 budget stabilization account, the capital vessel replacement account,
7 the capitol building construction account, the Cedar River channel
8 construction and operation account, the Central Washington University
9 capital projects account, the charitable, educational, penal and
10 reformatory institutions account, the cleanup settlement account, the
11 Columbia river basin water supply development account, the Columbia
12 river basin taxable bond water supply development account, the Columbia
13 river basin water supply revenue recovery account, the common school
14 construction fund, the county arterial preservation account, the county
15 criminal justice assistance account, the deferred compensation
16 administrative account, the deferred compensation principal account,
17 the department of licensing services account, the department of
18 retirement systems expense account, the developmental disabilities
19 community trust account, the drinking water assistance account, the
20 drinking water assistance administrative account, the drinking water
21 assistance repayment account, the Eastern Washington University capital
22 projects account, the Interstate 405 express toll lanes operations
23 account, the education construction fund, the education legacy trust
24 account, the election account, the energy freedom account, the energy
25 recovery act account, the essential rail assistance account, The
26 Evergreen State College capital projects account, the federal forest
27 revolving account, the ferry bond retirement fund, the freight mobility
28 investment account, the freight mobility multimodal account, the grade
29 crossing protective fund, the public health services account, the high
30 capacity transportation account, the state higher education
31 construction account, the higher education construction account, the
32 highway bond retirement fund, the highway infrastructure account, the
33 highway safety fund, the high occupancy toll lanes operations account,
34 the hospital safety net assessment fund, the industrial insurance
35 premium refund account, the judges' retirement account, the judicial
36 retirement administrative account, the judicial retirement principal
37 account, the local leasehold excise tax account, the local real estate
38 excise tax account, the local sales and use tax account, the marine

1 resources stewardship trust account, the medical aid account, the
2 mobile home park relocation fund, the motor vehicle fund, the
3 motorcycle safety education account, the multimodal transportation
4 account, the municipal criminal justice assistance account, the natural
5 resources deposit account, the oyster reserve land account, the pension
6 funding stabilization account, the perpetual surveillance and
7 maintenance account, the public employees' retirement system plan 1
8 account, the public employees' retirement system combined plan 2 and
9 plan 3 account, the public facilities construction loan revolving
10 account beginning July 1, 2004, the public health supplemental account,
11 the public works assistance account, the Puget Sound capital
12 construction account, the Puget Sound ferry operations account, the
13 real estate appraiser commission account, the recreational vehicle
14 account, the regional mobility grant program account, the resource
15 management cost account, the rural arterial trust account, the rural
16 mobility grant program account, the rural Washington loan fund, the
17 site closure account, the skilled nursing facility safety net trust
18 fund, the small city pavement and sidewalk account, the special
19 category C account, the special wildlife account, the state employees'
20 insurance account, the state employees' insurance reserve account, the
21 state investment board expense account, the state investment board
22 commingled trust fund accounts, the state patrol highway account, the
23 state route number 520 civil penalties account, the state route number
24 520 corridor account, the state wildlife account, the supplemental
25 pension account, the Tacoma Narrows toll bridge account, the teachers'
26 retirement system plan 1 account, the teachers' retirement system
27 combined plan 2 and plan 3 account, the tobacco prevention and control
28 account, the tobacco settlement account, the toll facility bond
29 retirement account, the transportation 2003 account (nickel account),
30 the transportation equipment fund, the transportation fund, the
31 transportation improvement account, the transportation improvement
32 board bond retirement account, the transportation infrastructure
33 account, the transportation partnership account, the traumatic brain
34 injury account, the tuition recovery trust fund, the University of
35 Washington bond retirement fund, the University of Washington building
36 account, the volunteer firefighters' and reserve officers' relief and
37 pension principal fund, the volunteer firefighters' and reserve
38 officers' administrative fund, the Washington judicial retirement

1 system account, the Washington law enforcement officers' and
2 firefighters' system plan 1 retirement account, the Washington law
3 enforcement officers' and firefighters' system plan 2 retirement
4 account, the Washington public safety employees' plan 2 retirement
5 account, the Washington school employees' retirement system combined
6 plan 2 and 3 account, the Washington state economic development
7 commission account, the Washington state health insurance pool account,
8 the Washington state patrol retirement account, the Washington State
9 University building account, the Washington State University bond
10 retirement fund, the water pollution control revolving administration
11 account, the water pollution control revolving fund, ((and)) the
12 Western Washington University capital projects account, the Yakima
13 integrated plan implementation account, the Yakima integrated plan
14 implementation recovery account, and the Yakima integrated plan
15 implementation taxable bond account. Earnings derived from investing
16 balances of the agricultural permanent fund, the normal school
17 permanent fund, the permanent common school fund, the scientific
18 permanent fund, the state university permanent fund, and the state
19 reclamation revolving account shall be allocated to their respective
20 beneficiary accounts.

21 (b) Any state agency that has independent authority over accounts
22 or funds not statutorily required to be held in the state treasury that
23 deposits funds into a fund or account in the state treasury pursuant to
24 an agreement with the office of the state treasurer shall receive its
25 proportionate share of earnings based upon each account's or fund's
26 average daily balance for the period.

27 (5) In conformance with Article II, section 37 of the state
28 Constitution, no treasury accounts or funds shall be allocated earnings
29 without the specific affirmative directive of this section.

30 **Sec. 13.** RCW 43.84.092 and 2013 2nd sp.s. c 1 s 16 are each
31 amended to read as follows:

32 (1) All earnings of investments of surplus balances in the state
33 treasury shall be deposited to the treasury income account, which
34 account is hereby established in the state treasury.

35 (2) The treasury income account shall be utilized to pay or receive
36 funds associated with federal programs as required by the federal cash
37 management improvement act of 1990. The treasury income account is

1 subject in all respects to chapter 43.88 RCW, but no appropriation is
2 required for refunds or allocations of interest earnings required by
3 the cash management improvement act. Refunds of interest to the
4 federal treasury required under the cash management improvement act
5 fall under RCW 43.88.180 and shall not require appropriation. The
6 office of financial management shall determine the amounts due to or
7 from the federal government pursuant to the cash management improvement
8 act. The office of financial management may direct transfers of funds
9 between accounts as deemed necessary to implement the provisions of the
10 cash management improvement act, and this subsection. Refunds or
11 allocations shall occur prior to the distributions of earnings set
12 forth in subsection (4) of this section.

13 (3) Except for the provisions of RCW 43.84.160, the treasury income
14 account may be utilized for the payment of purchased banking services
15 on behalf of treasury funds including, but not limited to, depository,
16 safekeeping, and disbursement functions for the state treasury and
17 affected state agencies. The treasury income account is subject in all
18 respects to chapter 43.88 RCW, but no appropriation is required for
19 payments to financial institutions. Payments shall occur prior to
20 distribution of earnings set forth in subsection (4) of this section.

21 (4) Monthly, the state treasurer shall distribute the earnings
22 credited to the treasury income account. The state treasurer shall
23 credit the general fund with all the earnings credited to the treasury
24 income account except:

25 (a) The following accounts and funds shall receive their
26 proportionate share of earnings based upon each account's and fund's
27 average daily balance for the period: The aeronautics account, the
28 aircraft search and rescue account, the Alaskan Way viaduct replacement
29 project account, the brownfield redevelopment trust fund account, the
30 budget stabilization account, the capital vessel replacement account,
31 the capitol building construction account, the Cedar River channel
32 construction and operation account, the Central Washington University
33 capital projects account, the charitable, educational, penal and
34 reformatory institutions account, the cleanup settlement account, the
35 Columbia river basin water supply development account, the Columbia
36 river basin taxable bond water supply development account, the Columbia
37 river basin water supply revenue recovery account, the Columbia river
38 crossing project account, the common school construction fund, the

1 county arterial preservation account, the county criminal justice
2 assistance account, the deferred compensation administrative account,
3 the deferred compensation principal account, the department of
4 licensing services account, the department of retirement systems
5 expense account, the developmental disabilities community trust
6 account, the drinking water assistance account, the drinking water
7 assistance administrative account, the drinking water assistance
8 repayment account, the Eastern Washington University capital projects
9 account, the Interstate 405 express toll lanes operations account, the
10 education construction fund, the education legacy trust account, the
11 election account, the energy freedom account, the energy recovery act
12 account, the essential rail assistance account, The Evergreen State
13 College capital projects account, the federal forest revolving account,
14 the ferry bond retirement fund, the freight mobility investment
15 account, the freight mobility multimodal account, the grade crossing
16 protective fund, the public health services account, the high capacity
17 transportation account, the state higher education construction
18 account, the higher education construction account, the highway bond
19 retirement fund, the highway infrastructure account, the highway safety
20 fund, the high occupancy toll lanes operations account, the hospital
21 safety net assessment fund, the industrial insurance premium refund
22 account, the judges' retirement account, the judicial retirement
23 administrative account, the judicial retirement principal account, the
24 local leasehold excise tax account, the local real estate excise tax
25 account, the local sales and use tax account, the marine resources
26 stewardship trust account, the medical aid account, the mobile home
27 park relocation fund, the motor vehicle fund, the motorcycle safety
28 education account, the multimodal transportation account, the municipal
29 criminal justice assistance account, the natural resources deposit
30 account, the oyster reserve land account, the pension funding
31 stabilization account, the perpetual surveillance and maintenance
32 account, the public employees' retirement system plan 1 account, the
33 public employees' retirement system combined plan 2 and plan 3 account,
34 the public facilities construction loan revolving account beginning
35 July 1, 2004, the public health supplemental account, the public works
36 assistance account, the Puget Sound capital construction account, the
37 Puget Sound ferry operations account, the real estate appraiser
38 commission account, the recreational vehicle account, the regional

1 mobility grant program account, the resource management cost account,
2 the rural arterial trust account, the rural mobility grant program
3 account, the rural Washington loan fund, the site closure account, the
4 skilled nursing facility safety net trust fund, the small city pavement
5 and sidewalk account, the special category C account, the special
6 wildlife account, the state employees' insurance account, the state
7 employees' insurance reserve account, the state investment board
8 expense account, the state investment board commingled trust fund
9 accounts, the state patrol highway account, the state route number 520
10 civil penalties account, the state route number 520 corridor account,
11 the state wildlife account, the supplemental pension account, the
12 Tacoma Narrows toll bridge account, the teachers' retirement system
13 plan 1 account, the teachers' retirement system combined plan 2 and
14 plan 3 account, the tobacco prevention and control account, the tobacco
15 settlement account, the toll facility bond retirement account, the
16 transportation 2003 account (nickel account), the transportation
17 equipment fund, the transportation fund, the transportation improvement
18 account, the transportation improvement board bond retirement account,
19 the transportation infrastructure account, the transportation
20 partnership account, the traumatic brain injury account, the tuition
21 recovery trust fund, the University of Washington bond retirement fund,
22 the University of Washington building account, the volunteer
23 firefighters' and reserve officers' relief and pension principal fund,
24 the volunteer firefighters' and reserve officers' administrative fund,
25 the Washington judicial retirement system account, the Washington law
26 enforcement officers' and firefighters' system plan 1 retirement
27 account, the Washington law enforcement officers' and firefighters'
28 system plan 2 retirement account, the Washington public safety
29 employees' plan 2 retirement account, the Washington school employees'
30 retirement system combined plan 2 and 3 account, the Washington state
31 economic development commission account, the Washington state health
32 insurance pool account, the Washington state patrol retirement account,
33 the Washington State University building account, the Washington State
34 University bond retirement fund, the water pollution control revolving
35 administration account, the water pollution control revolving fund,
36 ((and)) the Western Washington University capital projects account, the
37 Yakima integrated plan implementation account, the Yakima integrated
38 plan implementation recovery account, and the Yakima integrated plan

1 implementation taxable bond account. Earnings derived from investing
2 balances of the agricultural permanent fund, the normal school
3 permanent fund, the permanent common school fund, the scientific
4 permanent fund, the state university permanent fund, and the state
5 reclamation revolving account shall be allocated to their respective
6 beneficiary accounts.

7 (b) Any state agency that has independent authority over accounts
8 or funds not statutorily required to be held in the state treasury that
9 deposits funds into a fund or account in the state treasury pursuant to
10 an agreement with the office of the state treasurer shall receive its
11 proportionate share of earnings based upon each account's or fund's
12 average daily balance for the period.

13 (5) In conformance with Article II, section 37 of the state
14 Constitution, no treasury accounts or funds shall be allocated earnings
15 without the specific affirmative directive of this section.

16 **PART V: TEANAWAY COMMUNITY FOREST TRUST**

17 NEW SECTION. **Sec. 14.** A new section is added to chapter 79.155
18 RCW to read as follows:

19 (1) The department is authorized to use funds specifically
20 appropriated by the legislature to acquire lands in the Teanaway river
21 valley and Yakima river basin and hold those lands in a discrete
22 community forest trust status if those lands were acquired consistent
23 with the Yakima river integrated water resource management plan as that
24 document is identified in the definition of "integrated plan" provided
25 in RCW 90.38.010. These lands may collectively be referred to as the
26 Teanaway community forest trust.

27 (2) Except as otherwise provided in this chapter, the lands in the
28 Teanaway community forest trust must be managed consistent with the
29 requirements of this chapter and section 3 of this act, and the
30 following objectives:

31 (a) Protect and enhance the water supply and the watershed;

32 (b) Maintain working lands for forestry and grazing while
33 protecting key watershed functions and aquatic habitat;

34 (c) Maintain and, where possible, expand recreational opportunities
35 consistent with watershed protection, such as hiking, fishing, hunting,
36 horseback riding, camping, birding, and snowmobiling;

1 (d) Conserve and restore vital habitat for fish and wildlife,
2 including steelhead, spring Chinook, bull trout, deer, elk, large
3 predators, and spotted owls; and

4 (e) Support a strong community partnership, in which the Yakama
5 Nation, residents, business owners, local governments, conservation
6 groups, and others could provide advice about ongoing land management.

7 (3) The department shall, jointly with the department of fish and
8 wildlife, develop a Teanaway community forest postacquisition
9 management plan that is informed by input from the department of
10 ecology, the Yakama Nation, Yakima integrated plan stakeholders, and
11 the local community. These entities, and any others identified by the
12 commissioner, comprise the Teanaway community forest trust advisory
13 committee. The department and the department of fish and wildlife
14 shall work in good faith to assure that the postacquisition management
15 plan contributes to the implementation of the Yakima integrated plan.

16 (4) As part of its management of the Teanaway community forest
17 trust, the department must grant a habitat restoration and working
18 lands easement to the department of fish and wildlife that is
19 consistent with the management objectives provided in this section.
20 The easement must be executed prior to, or concurrent with, the
21 acquisition of the properties comprising the Teanaway community forest
22 trust. The contents of the easement must be agreed to by both the
23 department and the department of fish and wildlife.

24 **Sec. 15.** RCW 79.155.020 and 2011 c 216 s 2 are each amended to
25 read as follows:

26 (1) If deemed practicable by the commissioner or specifically
27 directed by the legislature, the department is authorized to create and
28 manage, consistent with the provisions of this chapter, a discrete
29 category of natural resource lands in a nonfiduciary community forest
30 land trust. The department is authorized to assemble, hold title to,
31 and manage directly or through mutual agreement with other landowners
32 land suitable for sustainable forest management, to be held in the
33 community forest trust.

34 (2) All land held in the community forest trust must be held by the
35 department and actively managed, consistent with a community working
36 forest management plan developed under RCW 79.155.080, to:

1 (a) Except for lands identified as part of the Teanaway community
2 forest trust in section 14 of this act, generate financial support for
3 the management of the community forest trust; and ((~~to~~))

4 (b) Advance and sustain the working forest conservation objectives
5 established in the management plan.

6 **Sec. 16.** RCW 79.155.030 and 2011 c 216 s 3 are each amended to
7 read as follows:

8 (1) Except for lands identified as part of the Teanaway community
9 forest trust in section 14 of this act, the department must identify
10 lands for inclusion into the community forest trust, and manage the
11 resulting community forest trust lands, in furtherance of goals that
12 must be identified by the department prior to the creation of a
13 community forest.

14 (2) In addition to any goals for a community forest identified by
15 the department, the community forest trust program must satisfy the
16 following minimum program management principles:

17 (a) Protecting in perpetuity working forest lands that are at a
18 significant risk of conversion to another land use;

19 (b) Securing financial and social viability through sound
20 management plans and objectives that are consistent with the values of
21 the local community;

22 (c) Maintaining the land in a working status, through traditional
23 forestry, management of specialized forest products harvest consistent
24 with chapter 76.48 RCW, land leases, renewable energy opportunities,
25 ecosystem services such as clean water protection or carbon storage,
26 and other sources of revenue appropriate for the community forest to
27 generate;

28 (d) Except for lands identified as part of the Teanaway community
29 forest trust in section 14 of this act, generating revenue at levels
30 that are, at a minimum, capable of reimbursing the department for
31 management costs and providing for some reinvestment into the
32 management objectives of the community forest;

33 (e) Providing for ongoing, sustainable public recreational access,
34 local timber jobs, clean air and water, carbon storage, fish and
35 wildlife habitat, and open space in a manner that is compatible with
36 management plans and objectives adopted for the community forest; and

1 (f) Providing educational opportunities for local communities
2 regarding the benefits that working forests provide to Washington's
3 economy, communities, environment, and quality of life.

4 **Sec. 17.** RCW 79.155.040 and 2011 c 216 s 4 are each amended to
5 read as follows:

6 (1)(a) Except as limited by RCW 79.155.070, the department is
7 authorized to acquire by purchase, gift, donation, grant, transfer, or
8 other means other than eminent domain fee interest or a partial
9 interest, including conservation easements, in lands or other real
10 property suitable for management as part of the community forest trust
11 and that are appropriate to further the goals of the community forest
12 trust.

13 (b) The fair market value of any real property, and the associated
14 valuable materials, of any land transferred into the community forest
15 trust from state lands must be provided to the beneficiaries of the
16 (~~transferee~~~~—~~~~transferor~~) transferor trust or used for the
17 furtherance of the (~~transferee~~~~—~~~~transferor~~) transferor trust.

18 (2) The department is authorized to receive funds for purposes of
19 establishing the community forest trust from grants, gifts, bequests,
20 or loans, whether public or private, as well as from legislative
21 appropriation.

22 (3) Except for lands identified as part of the Teanaway community
23 forest trust in section 14 of this act, all acquisitions of real
24 property for the community forest trust must be approved by the board.

25 **Sec. 18.** RCW 79.155.060 and 2011 c 216 s 6 are each amended to
26 read as follows:

27 (1) Except for lands identified as part of the Teanaway community
28 forest trust in section 14 of this act, the department shall, if it
29 establishes a community forest trust program, submit biennially to the
30 office of financial management and the appropriate committees of the
31 legislature a prioritized list that identifies nominated parcels of
32 state land or state forest land that are suitable for transfer into the
33 community forest trust, where such a transfer is also in the best
34 interest of the respective trust. The department shall solicit and
35 consider input from the board on a draft list before submitting a final
36 prioritized list.

1 (2) The list of nominated parcels must reflect consideration of
2 local nominations and the priorities outlined in RCW 79.155.050 and be
3 delivered to the required recipients by November 1st of each even-
4 numbered year.

5 **Sec. 19.** RCW 79.155.070 and 2011 c 216 s 7 are each amended to
6 read as follows:

7 (1) Except for lands identified as part of the Teanaway community
8 forest trust in section 14 of this act, the department must, prior to
9 using the authority provided in RCW 79.155.040 to acquire land for
10 inclusion in a community forest, obtain from the local community a
11 commitment to preserving the land as a working forest.

12 (2) Following initial agreement between potential local community
13 partners and the department regarding management and revenue production
14 objectives for the lands in question, the local commitment to
15 preserving the land as a working forest must be demonstrated by the
16 county, city, or other local entity providing a financial contribution
17 to the specific community forest of at least fifty percent of the
18 difference between the parcel's appraised fair market value and the
19 parcel's timber and forest land value. The local community
20 contribution may be provided through any means deemed acceptable by the
21 department and the local contributor, including:

- 22 (a) Traditional financing or bonding;
- 23 (b) The purchase of conservation easements; or
- 24 (c) The purchase or transfer of development rights.

25 (3) The local financial contribution must be deposited into the
26 park land trust revolving fund created in RCW 43.30.385 and used solely
27 for acquisition of the community forest trust land parcel or parcels
28 for which it is intended.

29 **Sec. 20.** RCW 79.155.080 and 2011 c 216 s 8 are each amended to
30 read as follows:

31 (1) All lands transferred into community forest trust status must
32 be managed in accordance with a postacquisition management plan
33 developed by the department consistent with this section and, if
34 relevant, section 14 of this act.

35 (2) After exercising the authority provided in RCW 79.155.040 or

1 section 14 of this act to acquire land for inclusion in a community
2 forest, the department must establish a local advisory committee in
3 cooperation with any interested and affected local government.

4 (3) The department must use the local advisory committee as a
5 source of advice and comment on a postacquisition management plan.
6 Comments and advice should, at a minimum, include plans for how the
7 department will maintain the land's working status and economic
8 viability objectives through revenue-generating activities that, except
9 for lands identified as part of the Teanaway community forest trust in
10 section 14 of this act, are sufficient to generate ongoing revenue at
11 a level that reimburses administrative costs, while satisfying, or
12 contributing to, identified community conservation and recreation
13 objectives.

14 (4)(a) If, after a good faith effort by all parties, the department
15 and the local advisory committee fail to reach a consensus on a
16 conceptual postacquisition management plan for the parcel in question,
17 the department may either adopt a management plan informed by the
18 community or, except for lands identified as part of the Teanaway
19 community forest trust in section 14 of this act, recommend to the
20 board that the parcel be divested through the existing authority of the
21 department and the board. If the parcel is divested, then, except as
22 otherwise provided in this subsection, proceeds must return to the park
23 land trust revolving fund created in RCW 43.30.385.

24 (b) Prior to depositing the proceeds of a land divestiture under
25 this subsection to the park land trust revolving fund, the department
26 must first reimburse local entities that have made financial
27 contributions to the parcel's acquisition as provided in RCW
28 79.155.070(2). However, local entities are only eligible for
29 reimbursement upon divestiture under this subsection if the board
30 determines that:

31 (i) The subsequent parcel use is likely to remain a working forest,
32 the department secures full fair market value for the parcel, and the
33 local entity's contribution was not provided by a state or federal
34 grant; or

35 (ii) The funds used as part of the local contribution were
36 originally provided through a grant that requires, as a condition of
37 the grant, the repayment of granted dollars if the purposes of the

1 grant are not or cannot be fulfilled and the decision to divest the
2 land creates an inability for the purposes of the grant to be
3 fulfilled.

4 **Sec. 21.** RCW 79.155.100 and 2011 c 216 s 10 are each amended to
5 read as follows:

6 (1) By September 1, 2014, and periodically, but at least once every
7 ten years thereafter, the department shall provide to the board a
8 review and update of the community forest trust program. The review
9 must include updates on the performance of the community forest trust
10 statewide and notification of any community forest trust parcels not
11 performing according to their management plan.

12 (2) Except for lands identified as part of the Teanaway community
13 forest trust in section 14 of this act, the department is authorized
14 to, consistent with this chapter, recommend to the board action to
15 divest itself of nonperforming community forest trust parcels using
16 existing policies and mechanisms available to the department and the
17 board.

18 **Sec. 22.** RCW 79.155.130 and 2011 c 216 s 18 are each amended to
19 read as follows:

20 The authorities granted under this title ((79-RCW)) for the
21 management of state lands apply to the community forest trust to the
22 extent consistent with the purposes of this chapter ((216, Laws of
23 2011)) and, for lands identified as part of the Teanaway community
24 forest trust in section 14 of this act, section 3 of this act. The
25 department may develop management procedures deemed necessary by the
26 department to implement this chapter ((216, Laws of 2011)), including
27 any special management procedures required to implement section 14 of
28 this act.

29 NEW SECTION. **Sec. 23.** (1) The department of natural resources
30 must propose to the board of natural resources a schedule for the
31 transfer of existing department-managed lands in T20N R16W, T21N R15W,
32 and T21N R16W into the Teanaway community forest trust created in
33 section 14 of this act utilizing the trust land transfer program.

34 (2) This section expires July 1, 2016.

1 NEW SECTION. **Sec. 24.** A new section is added to chapter 79.155
2 RCW to read as follows:

3 (1) The state treasurer, on behalf of the department, must
4 distribute to counties for all lands acquired from private landowners
5 for the purposes of establishing the Teanaway community forest trust,
6 as identified in section 14 of this act, an amount in lieu of real
7 property taxes equal to the amount of tax, other than taxes levied for
8 any state purpose, that would be due if the land were taxable as open
9 space land under chapter 84.34 RCW, plus an additional amount equal to
10 the amount of weed control assessment that would be due if the lands
11 were privately owned.

12 (2) The county assessor and county legislative authority shall
13 assist in determining the appropriate calculation of the amount of tax
14 that would be due. The county shall distribute the amount received
15 under this section in lieu of real property taxes to all property
16 taxing districts, except the state, in appropriate tax code areas the
17 same way it would distribute local property taxes from private
18 property. The county shall distribute the amount received under this
19 section for weed control to the appropriate weed district.

20 **Sec. 25.** RCW 84.33.140 and 2012 c 170 s 1 are each amended to read
21 as follows:

22 (1) When land has been designated as forest land under RCW
23 84.33.130, a notation of the designation must be made each year upon
24 the assessment and tax rolls. A copy of the notice of approval
25 together with the legal description or assessor's parcel numbers for
26 the land must, at the expense of the applicant, be filed by the
27 assessor in the same manner as deeds are recorded.

28 (2) In preparing the assessment roll as of January 1, 2002, for
29 taxes payable in 2003 and each January 1st thereafter, the assessor
30 must list each parcel of designated forest land at a value with respect
31 to the grade and class provided in this subsection and adjusted as
32 provided in subsection (3) of this section. The assessor must compute
33 the assessed value of the land using the same assessment ratio applied
34 generally in computing the assessed value of other property in the
35 county. Values for the several grades of bare forest land are as
36 follows:

	LAND	OPERABILITY	VALUES
	GRADE	CLASS	PER ACRE
1		1	\$234
2		2	229
3		3	217
4	1	4	157
5		1	198
6		2	190
7	2	3	183
8		4	132
9		1	154
10		2	149
11	3	3	148
12		4	113
13		1	117
14		2	114
15	4	3	113
16		4	86
17		1	85
18		2	78
19	5	3	77
20		4	52
21		1	43
22		2	39
23	6	3	39
24		4	37
25		1	21
26		2	21
27	7	3	20
28		4	20
29		1	1
30	8		
31			

32 (3) On or before December 31, 2001, the department must adjust by
33 rule under chapter 34.05 RCW, the forest land values contained in
34 subsection (2) of this section in accordance with this subsection, and
35 must certify the adjusted values to the assessor who will use these

1 values in preparing the assessment roll as of January 1, 2002. For the
2 adjustment to be made on or before December 31, 2001, for use in the
3 2002 assessment year, the department must:

4 (a) Divide the aggregate value of all timber harvested within the
5 state between July 1, 1996, and June 30, 2001, by the aggregate harvest
6 volume for the same period, as determined from the harvester excise tax
7 returns filed with the department under RCW 84.33.074; and

8 (b) Divide the aggregate value of all timber harvested within the
9 state between July 1, 1995, and June 30, 2000, by the aggregate harvest
10 volume for the same period, as determined from the harvester excise tax
11 returns filed with the department under RCW 84.33.074; and

12 (c) Adjust the forest land values contained in subsection (2) of
13 this section by a percentage equal to one-half of the percentage change
14 in the average values of harvested timber reflected by comparing the
15 resultant values calculated under (a) and (b) of this subsection.

16 (4) For the adjustments to be made on or before December 31, 2002,
17 and each succeeding year thereafter, the same procedure described in
18 subsection (3) of this section must be followed using harvester excise
19 tax returns filed under RCW 84.33.074. However, this adjustment must
20 be made to the prior year's adjusted value, and the five-year periods
21 for calculating average harvested timber values must be successively
22 one year more recent.

23 (5) Land graded, assessed, and valued as forest land must continue
24 to be so graded, assessed, and valued until removal of designation by
25 the assessor upon the occurrence of any of the following:

26 (a) Receipt of notice from the owner to remove the designation;

27 (b) Sale or transfer to an ownership making the land exempt from ad
28 valorem taxation;

29 (c) Sale or transfer of all or a portion of the land to a new
30 owner, unless the new owner has signed a notice of forest land
31 designation continuance, except transfer to an owner who is an heir or
32 devisee of a deceased owner, does not, by itself, result in removal of
33 designation. The signed notice of continuance must be attached to the
34 real estate excise tax affidavit provided for in RCW 82.45.150. The
35 notice of continuance must be on a form prepared by the department. If
36 the notice of continuance is not signed by the new owner and attached
37 to the real estate excise tax affidavit, all compensating taxes
38 calculated under subsection (11) of this section are due and payable by

1 the seller or transferor at time of sale. The auditor may not accept
2 an instrument of conveyance regarding designated forest land for filing
3 or recording unless the new owner has signed the notice of continuance
4 or the compensating tax has been paid, as evidenced by the real estate
5 excise tax stamp affixed thereto by the treasurer. The seller,
6 transferor, or new owner may appeal the new assessed valuation
7 calculated under subsection (11) of this section to the county board of
8 equalization in accordance with the provisions of RCW 84.40.038.
9 Jurisdiction is hereby conferred on the county board of equalization to
10 hear these appeals;

11 (d) Determination by the assessor, after giving the owner written
12 notice and an opportunity to be heard, that:

13 (i) The land is no longer primarily devoted to and used for growing
14 and harvesting timber. However, land may not be removed from
15 designation if a governmental agency, organization, or other recipient
16 identified in subsection (13) or (14) of this section as exempt from
17 the payment of compensating tax has manifested its intent in writing or
18 by other official action to acquire a property interest in the
19 designated forest land by means of a transaction that qualifies for an
20 exemption under subsection (13) or (14) of this section. The
21 governmental agency, organization, or recipient must annually provide
22 the assessor of the county in which the land is located reasonable
23 evidence in writing of the intent to acquire the designated land as
24 long as the intent continues or within sixty days of a request by the
25 assessor. The assessor may not request this evidence more than once in
26 a calendar year;

27 (ii) The owner has failed to comply with a final administrative or
28 judicial order with respect to a violation of the restocking, forest
29 management, fire protection, insect and disease control, and forest
30 debris provisions of Title 76 RCW or any applicable rules under Title
31 76 RCW; or

32 (iii) Restocking has not occurred to the extent or within the time
33 specified in the application for designation of such land.

34 (6) Land may not be removed from designation if there is a
35 governmental restriction that prohibits, in whole or in part, the owner
36 from harvesting timber from the owner's designated forest land. If
37 only a portion of the parcel is impacted by governmental restrictions
38 of this nature, the restrictions cannot be used as a basis to remove

1 the remainder of the forest land from designation under this chapter.
2 For the purposes of this section, "governmental restrictions" includes:
3 (a) Any law, regulation, rule, ordinance, program, or other action
4 adopted or taken by a federal, state, county, city, or other
5 governmental entity; or (b) the land's zoning or its presence within an
6 urban growth area designated under RCW 36.70A.110.

7 (7) The assessor has the option of requiring an owner of forest
8 land to file a timber management plan with the assessor upon the
9 occurrence of one of the following:

10 (a) An application for designation as forest land is submitted; or
11 (b) Designated forest land is sold or transferred and a notice of
12 continuance, described in subsection (5)(c) of this section, is signed.

13 (8) If land is removed from designation because of any of the
14 circumstances listed in subsection (5)(a) through (c) of this section,
15 the removal applies only to the land affected. If land is removed from
16 designation because of subsection (5)(d) of this section, the removal
17 applies only to the actual area of land that is no longer primarily
18 devoted to the growing and harvesting of timber, without regard to any
19 other land that may have been included in the application and approved
20 for designation, as long as the remaining designated forest land meets
21 the definition of forest land contained in RCW 84.33.035.

22 (9) Within thirty days after the removal of designation as forest
23 land, the assessor must notify the owner in writing, setting forth the
24 reasons for the removal. The seller, transferor, or owner may appeal
25 the removal to the county board of equalization in accordance with the
26 provisions of RCW 84.40.038.

27 (10) Unless the removal is reversed on appeal a copy of the notice
28 of removal with a notation of the action, if any, upon appeal, together
29 with the legal description or assessor's parcel numbers for the land
30 removed from designation must, at the expense of the applicant, be
31 filed by the assessor in the same manner as deeds are recorded and a
32 notation of removal from designation must immediately be made upon the
33 assessment and tax rolls. The assessor must revalue the land to be
34 removed with reference to its true and fair value as of January 1st of
35 the year of removal from designation. Both the assessed value before
36 and after the removal of designation must be listed. Taxes based on
37 the value of the land as forest land are assessed and payable up until

1 the date of removal and taxes based on the true and fair value of the
2 land are assessed and payable from the date of removal from
3 designation.

4 (11) Except as provided in subsection (5)(c), (13), or (14) of this
5 section, a compensating tax is imposed on land removed from designation
6 as forest land. The compensating tax is due and payable to the
7 treasurer thirty days after the owner is notified of the amount of this
8 tax. As soon as possible after the land is removed from designation,
9 the assessor must compute the amount of compensating tax and mail a
10 notice to the owner of the amount of compensating tax owed and the date
11 on which payment of this tax is due. The amount of compensating tax is
12 equal to the difference between the amount of tax last levied on the
13 land as designated forest land and an amount equal to the new assessed
14 value of the land multiplied by the dollar rate of the last levy
15 extended against the land, multiplied by a number, in no event greater
16 than nine, equal to the number of years for which the land was
17 designated as forest land, plus compensating taxes on the land at
18 forest land values up until the date of removal and the prorated taxes
19 on the land at true and fair value from the date of removal to the end
20 of the current tax year.

21 (12) Compensating tax, together with applicable interest thereon,
22 becomes a lien on the land, which attaches at the time the land is
23 removed from designation as forest land and has priority and must be
24 fully paid and satisfied before any recognizance, mortgage, judgment,
25 debt, obligation, or responsibility to or with which the land may
26 become charged or liable. The lien may be foreclosed upon expiration
27 of the same period after delinquency and in the same manner provided by
28 law for foreclosure of liens for delinquent real property taxes as
29 provided in RCW 84.64.050. Any compensating tax unpaid on its due date
30 will thereupon become delinquent. From the date of delinquency until
31 paid, interest is charged at the same rate applied by law to delinquent
32 ad valorem property taxes.

33 (13) The compensating tax specified in subsection (11) of this
34 section may not be imposed if the removal of designation under
35 subsection (5) of this section resulted solely from:

36 (a) Transfer to a government entity in exchange for other forest
37 land located within the state of Washington;

1 (b) A taking through the exercise of the power of eminent domain,
2 or sale or transfer to an entity having the power of eminent domain in
3 anticipation of the exercise of such power;

4 (c) A donation of fee title, development rights, or the right to
5 harvest timber, to a government agency or organization qualified under
6 RCW 84.34.210 and 64.04.130 for the purposes enumerated in those
7 sections, or the sale or transfer of fee title to a governmental entity
8 or a nonprofit nature conservancy corporation, as defined in RCW
9 64.04.130, exclusively for the protection and conservation of lands
10 recommended for state natural area preserve purposes by the natural
11 heritage council and natural heritage plan as defined in chapter 79.70
12 RCW or approved for state natural resources conservation area purposes
13 as defined in chapter 79.71 RCW. At such time as the land is not used
14 for the purposes enumerated, the compensating tax specified in
15 subsection (11) of this section is imposed upon the current owner;

16 (d) The sale or transfer of fee title to the parks and recreation
17 commission for park and recreation purposes;

18 (e) Official action by an agency of the state of Washington or by
19 the county or city within which the land is located that disallows the
20 present use of the land;

21 (f) The creation, sale, or transfer of forestry riparian easements
22 under RCW 76.13.120;

23 (g) The creation, sale, or transfer of a conservation easement of
24 private forest lands within unconfined channel migration zones or
25 containing critical habitat for threatened or endangered species under
26 RCW 76.09.040;

27 (h) The sale or transfer of land within two years after the death
28 of the owner of at least a fifty percent interest in the land if the
29 land has been assessed and valued as classified forest land, designated
30 as forest land under this chapter, or classified under chapter 84.34
31 RCW continuously since 1993. The date of death shown on a death
32 certificate is the date used for the purposes of this subsection
33 (13)(h); (~~or~~)

34 (i) The sale or transfer of fee title to the department of natural
35 resources for inclusion in the Teanaway community forest trust as
36 identified in section 14 of this act; or

37 (j)(i) The discovery that the land was designated under this
38 chapter in error through no fault of the owner. For purposes of this

1 subsection (13)(~~(i)~~) (j), "fault" means a knowingly false or
2 misleading statement, or other act or omission not in good faith, that
3 contributed to the approval of designation under this chapter or the
4 failure of the assessor to remove the land from designation under this
5 chapter.

6 (ii) For purposes of this subsection (13), the discovery that land
7 was designated under this chapter in error through no fault of the
8 owner is not the sole reason for removal of designation under
9 subsection (5) of this section if an independent basis for removal
10 exists. An example of an independent basis for removal includes the
11 land no longer being devoted to and used for growing and harvesting
12 timber.

13 (14) In a county with a population of more than six hundred
14 thousand inhabitants or in a county with a population of at least two
15 hundred forty-five thousand inhabitants that borders Puget Sound as
16 defined in RCW 90.71.010, the compensating tax specified in subsection
17 (11) of this section may not be imposed if the removal of designation
18 as forest land under subsection (5) of this section resulted solely
19 from:

- 20 (a) An action described in subsection (13) of this section; or
21 (b) A transfer of a property interest to a government entity, or to
22 a nonprofit historic preservation corporation or nonprofit nature
23 conservancy corporation, as defined in RCW 64.04.130, to protect or
24 enhance public resources, or to preserve, maintain, improve, restore,
25 limit the future use of, or otherwise to conserve for public use or
26 enjoyment, the property interest being transferred. At such time as
27 the property interest is not used for the purposes enumerated, the
28 compensating tax is imposed upon the current owner.

29 **PART VI: MISCELLANEOUS**

30 NEW SECTION. **Sec. 26.** Section 12 of this act expires if the
31 requirements set out in section 7, chapter 36, Laws of 2012 are met.

32 NEW SECTION. **Sec. 27.** Section 13 of this act takes effect if the
33 requirements set out in section 7, chapter 36, Laws of 2012 are met."

34 Correct the title.

EFFECT: Requires a cost-benefit analysis and a cost estimate and financing plan of the Yakima river basin integrated plan; directs the Department of Natural Resources to create the Teanaway community forest trust as a land holding to manage certain property acquisitions related to the Yakima river basin integrated plan; exempts acquisitions for the purposes of establishing the Teanaway community forest trust from paying compensating taxes; and adds legislative intent related to the need to identify and evaluate new revenue sources to assist in paying for the Yakima river basin projects.

--- END ---