AN ACT Relating to Yakima river basin water resource management; authorizing the acquisition of public lands by the department of natural resources and management of community forest trust land to preserve water basin function; amending RCW 90.38.005, 90.38.010, 90.38.900, 90.38.902, and 84.33.140; reenacting and amending RCW 43.84.092 and 43.84.092; adding new sections to chapter 90.38 RCW; adding a new section to chapter 79.155 RCW; providing a contingent effective date; providing expiration dates; and providing a contingent expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 90.38.005 and 1989 c 429 s 1 are each amended to read as follows:
(1) The legislature finds that:
(a) Under present physical conditions in the Yakima river basin there is an insufficient supply of ground and surface water to satisfy the present needs of the basin, and that the general health, welfare, and safety of the people of the Yakima river basin depend upon the conservation, management, development, and optimum use of all the basin's water resources;
(b) ((Pursuant to P.L. 96-162)) The future competition for water among municipal, domestic, industrial, agricultural, and instream water interests in the Yakima river basin will be intensified by continued population growth, and by changes in climate and precipitation anticipated to reduce the basin's snow pack and thereby reduce the total water supply available to existing water users, instream flows, and carryover storage;

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

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

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

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

(g) The current real estate market provides opportunities to acquire community forest lands that are useful for protecting and enhancing watershed function at affordable prices;
(h) Although significant benefits are anticipated to result from the implementation of the Yakima integrated plan, in light of its substantial costs and the state's limited capacity to absorb them within existing resources, there is a need to identify and evaluate potential new state and local revenue sources to assist in paying the state and local share of implementation costs.

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

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

(b) Establish legislative intent to promote timely and effective implementation of the integrated plan in the Yakima river basin, and to promote the aggressive pursuit of water supply solutions that provide concurrent benefits to both instream and out-of-stream uses in the Yakima river basin as rapidly as possible; and

(c) Take advantage of affordable real estate prices to acquire community forest lands that are useful for protecting and enhancing watershed function.

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

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

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

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

(2) "Integrated plan" means the Yakima river basin integrated water resource management plan developed through a consensus-based approach by a diverse work group of representatives of the Yakama Nation, federal, state, county, and city governments, environmental organizations, and irrigation districts, which is to be implemented consistent with congressional Yakima river basin water enhancement project enactments and for which the final programmatic environmental impact statement was made available for review through public notice published in the federal register (77 FR 12076 (2012)).
"Net water savings" means the amount of water that through hydrological analysis is determined to be conserved and usable for other purposes without impairing existing water rights, reducing the ability to deliver water, or reducing the supply of water that otherwise would have been available to other water users.

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

"Water conservation project" means any project funded to further the purposes of this chapter and that achieves physical or operational improvements of efficiency in existing systems for diversion, conveyance, or application of water under existing water rights.

"Water supply facility permit and funding milestone" means a date prior to June 30, 2025, when required permits have been approved, and funding has been secured to begin construction on one or more water supply facilities designed to provide at least two hundred fourteen thousand acre feet of water to be used for instream and out-of-stream uses.


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

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

1) Authorized department actions include, but are not limited to:
(a) Accepting funds from any entity, public or private, as
necessary to implement the objectives of this chapter;
(b) Assessing, planning, and developing projects under the Yakima
river basin integrated water resource management plan, or for any other
action designed to provide access to new water supplies within the
Yakima river basin, consistent with the integrated plan and including
but not limited to: Enhanced water conservation and efficiency
measures, water reallocation markets, in-basin surface and groundwater
storage facilities, fish passage at existing in-basin reservoirs,
structural and operational modifications to existing facilities,
habitat protection and restoration, and general watershed enhancements
as necessary to implement the objectives of this chapter and the
integrated plan; and
(c) Entering into contracts to ensure the effective delivery of
water and to provide for the design and construction of facilities
necessary to implement the objectives of the integrated plan and this
chapter.

2) Consistent with the integrated plan, the goals and objectives
of department actions authorized under this chapter include, but are
not limited to:
(a) Protection, mitigation, and enhancement of fish and wildlife
through improved water management; improved instream flows; improved
water quality; protection, creation, and enhancement of wetlands;
 improved fish passage, and by other appropriate means of habitat
improvement, including the protection and enhancement of natural
wetlands, floodplains, and groundwater storage systems;
(b) Improved water availability and reliability, and improved
efficiency of water delivery and use, to enhance basin water supplies
for agricultural irrigation, municipal, commercial, industrial,
domestic, and environmental water uses;
(c) Establishment of more efficient water markets and more
effective operational and structural changes to manage variability of
water supplies and to prepare for the uncertainties of climate change, including but not limited to the facilitation of water banking, water right transfers, dry year options, the voluntary sale and lease of land, water, or water rights from any entity or individual willing to limit or forego water use on a temporary or permanent basis, and any other innovative water allocation tools used to maximize the utility of existing Yakima river basin water supplies, as long as the establishment and use of these tools is consistent with the integrated plan.

(3) Water supplies secured through the development of new storage facilities or expansion of existing storage facilities made possible with funding from the Yakima integrated plan implementation account, the Yakima integrated plan implementation taxable bond account, and the Yakima integrated plan implementation revenue recovery account must be allocated for out-of-stream uses and to augment instream flows consistent with the Yakima river basin integrated water resource management plan. Water to be made available to benefit out-of-stream uses under this subsection, but not yet appropriated, must be temporarily available to augment instream flows to the extent that it does not impair existing water rights and is consistent with the integrated plan.

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

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

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

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

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

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

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

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

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

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

(4) For water supplies developed under the integrated plan to
support future municipal and domestic water needs, the department shall
give preference to other entities in managing water service contracts.
Where the department determines that the management of such contracts
by other entities is not feasible or suitable, the department may enter
into water service contracts with applicants receiving water from the
program to recover all or a portion of the cost of developing water
supplies made possible with funding from the account created in this
section. The department may deny an application if the applicant does
not enter into a water service contract. Revenue collected from water
service contracts must be deposited into the Yakima integrated plan
implementation revenue recovery account created in section 6 of this
act. The department may adopt rules describing the methodology as to
NEW SECTION.  Sec. 5. A new section is added to chapter 90.38 RCW to read as follows:

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

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

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

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

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

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

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

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

(1) The Yakima integrated plan implementation revenue recovery account is created in the state treasury. All receipts from direct appropriations from the legislature, moneys directed to the account pursuant to this chapter, or moneys directed to the account from any other sources must be deposited in the account. The account is intended to fund projects using revenues from water service contracts as authorized in this chapter. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only as provided in this section. Interest earned by deposits in the account will be retained in the account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) By December 1, 2015, and by December 1st of every odd-numbered year thereafter, and in compliance with RCW 43.01.036, the department, in consultation with the United States bureau of reclamation, the Yakama Nation, Yakima river basin local governments, and key basin stakeholders, shall provide a Yakima river basin integrated water resource management plan implementation status report to the legislature and to the governor that includes: A description of measures that have been funded and implemented in the Yakima river basin and their effectiveness in meeting the objectives of this act, a
project funding list that represents the state's percentage cost share
to implement the integrated plan measures for the current biennium and
cost estimates for subsequent biennia, a description of progress toward
concurrent realization of the integrated plan's fish passage, watershed
enhancement, and water supply goals, and an annual summary of all
associated costs to develop and implement projects within the framework
of the integrated water resource management plan for the Yakima river
basin.

(2) The status report required in this section for December 1,
2021, must include a statement of progress in achieving the water
supply facility permit and funding milestone, as defined in RCW
90.38.010. If, after a good faith effort to achieve the water supply
facility permit and funding milestone, it appears that the milestone
cannot or may not be met, the department, in consultation with the
United States bureau of reclamation, the Yakama Nation, Yakima river
basin local governments, and key basin stakeholders, shall provide a
detailed description of the impediments to achieving the milestone,
describe the strategy for resolving the identified impediments, and, if
necessary, recommend modifications to the milestone.

(3) This section expires December 31, 2045.

NEW SECTION. Sec. 10. A new section is added to chapter 90.38 RCW
to read as follows:

(1) Prior to the appropriation of funding for the construction of
a water supply project proposed in the integrated plan with a cost of
greater than one hundred million dollars, the state of Washington water
research center shall review, evaluate, and prepare comments on the
cost benefit analysis prepared for the project by the department and
the United States bureau of reclamation.

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

(3) The center must measure and report the economic benefits of
each project subject to subsection (1) of this section, so that it is
clear the extent to which an individual project is expected to result
in increases in fish populations, increases in the reliability of
irrigation water during severe drought years, and improvements in
municipal and domestic water supply.
(4) The center may enter into agreements with other state universities and with private consultants as needed to accomplish the scope of work.

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

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

(7) This section expires July 1, 2025.

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

(1)(a) It is the intent of the legislature for the state to pay its fair share of the cost to implement the integrated plan. At least one-half of the total costs to finance the implementation of the integrated plan must be funded through federal, private, and other nonstate sources, including a significant contribution of funding from local project beneficiaries. This section applies to the total costs of the integrated plan and not to individual projects within the plan.

(b) The state's continuing support for the integrated plan shall be formally reevaluated independently by the governor and the legislature if, after December 31, 2021, and periodically thereafter, the actual funding provided through nonstate sources is less than one-half of all costs and if funding from local project beneficiaries does not comprise a significant portion of the nonstate sources.

(2) The department shall deliver, consistent with the intent of this section, a cost estimate and financing plan that addresses the total estimated cost to implement the integrated plan and analyzes various financing options. The cost estimate and financing plan must include a description of state expenditures as of the effective date of this section incurred implementing the integrated plan and proposed state expenditures in the 2015-2017 biennium and beyond with proposed financing sources for each project.

(3) In addition, the office of the state treasurer shall prepare supplementary chapters to the cost estimate and financing plan for the department that:
(a) Identifies and evaluates potential new state financing sources to pay for the state's contribution towards the overall costs of the Yakima integrated plan's implementation;

(b) Identifies and evaluates potential new local financing sources to pay for a significant local contribution towards the overall costs of the Yakima integrated plan's implementation;

(c) Considers the viability, and evaluates the advantages and disadvantages of various financing mechanisms such as revenue bonds, general obligation bonds, and other financing models;

(d) Identifies past, current, and anticipated future costs that will be, or are anticipated to be, paid by nonstate sources such as federal sources, private sources, and local sources; and

(e) Considers how cost overruns of projects associated with the integrated plan could affect long-term financing of the overall integrated plan and provides options for how cost overruns can be addressed.

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

(5) The initial cost estimate and financing plan required by this section must be provided to the governor and the legislature, consistent with RCW 43.01.036, by no later than December 15, 2014, for consideration in preparing the 2015-2017 biennial budget and future budgets. The cost estimate and financing plan must be updated by September 1st of each successive even-numbered year.

NEW SECTION. Sec. 12. A new section is added to chapter 90.38 RCW to read as follows:

(1) Subject to the availability of amounts appropriated for this specific purpose, the department of natural resources is authorized to purchase land to be held in the community forest trust under RCW 79.155.040 to serve the purposes of the community forest trust including the protection of Yakima river basin functioning, without complying with the requirements of RCW 79.155.030(1), 79.155.060, or 79.155.070, relating to the identification, prioritization, local commitment, and financial contribution normally prerequisite to nominating and acquiring community forest trust lands. The purchase must be reviewed and approved by the board of natural resources. In
its evaluation of this acquisition pursuant to RCW 79.155.040(3), the board is relieved from considering the criteria for identifying and prioritizing land set forth in RCW 79.155.050. Once purchased, the land must be managed by the department of natural resources in consultation with the department of fish and wildlife. Any investment in the land purchase with funds belonging to the common school trust constitutes a loan from the irreducible principal of the common school trust and may only be made if first determined to be a prudent investment by the board of natural resources. An annual interest payment on the loan of nine percent must be paid, with six percent deposited into the common school construction account and three percent deposited into the real property replacement account. Interest begins to accrue on the date the land purchase is completed and is due and payable July 1st following the completion of the state fiscal year. The principal of the loan must be repaid in accordance with the provisions of subsection (3) of this section.

(2) The land purchased under this authority must be managed under a transitional postacquisition management plan during the period between the date of purchase and the water supply facility permit and funding milestone or until June 30, 2025, whichever is sooner. The plan must be consistent with RCW 79.155.080(1), provided that the lands acquired as community forest trust lands are not required to generate financial support for their management as would otherwise be required by RCW 79.155.020(2), 79.155.030(2)(d), and 79.155.080(3), and provided further that the authority granted to the department to divest of the property under RCW 79.155.080(4) does not apply to these lands. The department of natural resources must develop the transitional postacquisition management plan in consultation with the department of fish and wildlife.

(a) The plan must ensure that the land is managed in a manner that is consistent with the Yakima basin integrated plan principles for forest land acquisitions, including the following:

(i) To protect and enhance the water supply and protect the watershed;

(ii) To maintain working lands for forestry and grazing while protecting key watershed functions and aquatic habitat;

(iii) To maintain and where possible expand recreational
opportunities consistent with watershed protection, for activities such as hiking, fishing, hunting, horseback riding, camping, birding, and snowmobiling;

(iv) To conserve and restore vital habitat for fish, including steelhead, spring chinook, and bull trout, and wildlife, including deer, elk, large predators, and spotted owls; and

(v) To support a strong community partnership, in which the Yakama Nation, residents, business owners, local governments, conservation groups, and others provide advice about ongoing land management.

(b) The department of natural resources, in consultation with the department of fish and wildlife, must establish the Teanaway community forest advisory committee that includes representatives from the department of ecology, the local community, land conservation organizations, the Yakama Nation, the Kittitas county commission, and local agricultural interests.

(c) By June 30, 2015, the department of natural resources must complete the transitional postacquisition management plan with a public process that involves interested stakeholders, particularly residents from Kittitas county, friends of the Teanaway, back country horsemen, off-road vehicle and snowmobile users, a representative from Kittitas field and stream, hikers and wildlife watchers, and ranchers who graze cattle.

(3) After the water supply facility permit and funding milestone or June 30, 2025, whichever is sooner, the land must be disposed of in the following manner:

(a) If the water supply facility permit and funding milestone conditions have been met, the land remains in the community forest trust and the transitional postacquisition management plan must be converted to a permanent postacquisition management plan with whatever updates and amendments are periodically adopted. Under these conditions, the remaining principal of any investment in the land purchased with funds belonging to the common school trust must be repaid to the real property replacement account.

(b) If the water supply facility permit and funding milestone conditions have not been met, the board of natural resources must decide between the following dispositions of the land:

(i) Deposit of the entire amount of land purchased into the
ownership of the common school trust for management or disposition for
the benefit of the common schools; or

(ii) Disposition under the terms of (a) of this subsection.

Sec. 13. RCW 84.33.140 and 2012 c 170 s 1 are each amended to read
as follows:

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

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

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<th>LAND GRADE</th>
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<th>VALUES PER ACRE</th>
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</table>
(3) On or before December 31, 2001, the department must adjust by rule under chapter 34.05 RCW, the forest land values contained in subsection (2) of this section in accordance with this subsection, and must certify the adjusted values to the assessor who will use these values in preparing the assessment roll as of January 1, 2002. For the adjustment to be made on or before December 31, 2001, for use in the 2002 assessment year, the department must:

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

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

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

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

(5) Land graded, assessed, and valued as forest land must continue
to be so graded, assessed, and valued until removal of designation by
the assessor upon the occurrence of any of the following:
    (a) Receipt of notice from the owner to remove the designation;
    (b) Sale or transfer to an ownership making the land exempt from ad
valorem taxation;
    (c) Sale or transfer of all or a portion of the land to a new
owner, unless the new owner has signed a notice of forest land
designation continuance, except transfer to an owner who is an heir or
devisee of a deceased owner, does not, by itself, result in removal of
designation. The signed notice of continuance must be attached to the
real estate excise tax affidavit provided for in RCW 82.45.150. The
notice of continuance must be on a form prepared by the department. If
the notice of continuance is not signed by the new owner and attached
to the real estate excise tax affidavit, all compensating taxes
calculated under subsection (11) of this section are due and payable by
the seller or transferor at time of sale. The auditor may not accept
an instrument of conveyance regarding designated forest land for filing
or recording unless the new owner has signed the notice of continuance
or the compensating tax has been paid, as evidenced by the real estate
excise tax stamp affixed thereto by the treasurer. The seller,
transferor, or new owner may appeal the new assessed valuation
calculated under subsection (11) of this section to the county board of
equalization in accordance with the provisions of RCW 84.40.038.
Jurisdiction is hereby conferred on the county board of equalization to
hear these appeals;
    (d) Determination by the assessor, after giving the owner written
notice and an opportunity to be heard, that:
        (i) The land is no longer primarily devoted to and used for growing
and harvesting timber. However, land may not be removed from
designation if a governmental agency, organization, or other recipient
identified in subsection (13) or (14) of this section as exempt from
the payment of compensating tax has manifested its intent in writing or
by other official action to acquire a property interest in the designated forest land by means of a transaction that qualifies for an exemption under subsection (13) or (14) of this section. The governmental agency, organization, or recipient must annually provide the assessor of the county in which the land is located reasonable evidence in writing of the intent to acquire the designated land as long as the intent continues or within sixty days of a request by the assessor. The assessor may not request this evidence more than once in a calendar year;

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

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

(6) Land may not be removed from designation if there is a governmental restriction that prohibits, in whole or in part, the owner from harvesting timber from the owner's designated forest land. If only a portion of the parcel is impacted by governmental restrictions of this nature, the restrictions cannot be used as a basis to remove the remainder of the forest land from designation under this chapter. For the purposes of this section, "governmental restrictions" includes:

(a) Any law, regulation, rule, ordinance, program, or other action adopted or taken by a federal, state, county, city, or other governmental entity; or (b) the land's zoning or its presence within an urban growth area designated under RCW 36.70A.110.

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

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

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

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

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

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

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

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

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

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

(c) A donation of fee title, development rights, or the right to
harvest timber, to a government agency or organization qualified under
RCW 84.34.210 and 64.04.130 for the purposes enumerated in those
sections, or the sale or transfer of fee title to a governmental entity
or a nonprofit nature conservancy corporation, as defined in RCW
64.04.130, exclusively for the protection and conservation of lands
recommended for state natural area preserve purposes by the natural
heritage council and natural heritage plan as defined in chapter 79.70
RCW or approved for state natural resources conservation area purposes
as defined in chapter 79.71 RCW, or for acquisition and management as
a community forest trust as defined in chapter 79.155 RCW. At such
time as the land is not used for the purposes enumerated, the
compensating tax specified in subsection (11) of this section is
imposed upon the current owner;
(d) The sale or transfer of fee title to the parks and recreation commission for park and recreation purposes;

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

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

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

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

(i) The discovery that the land was designated under this chapter in error through no fault of the owner. For purposes of this subsection (13)(i), "fault" means a knowingly false or misleading statement, or other act or omission not in good faith, that contributed to the approval of designation under this chapter or the failure of the assessor to remove the land from designation under this chapter.

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

(14) In a county with a population of more than six hundred thousand inhabitants or in a county with a population of at least two hundred forty-five thousand inhabitants that borders Puget Sound as defined in RCW 90.71.010, the compensating tax specified in subsection (11) of this section may not be imposed if the removal of designation as forest land under subsection (5) of this section resulted solely from:
(a) An action described in subsection (13) of this section; or
(b) A transfer of a property interest to a government entity, or to a nonprofit historic preservation corporation or nonprofit nature conservancy corporation, as defined in RCW 64.04.130, to protect or enhance public resources, or to preserve, maintain, improve, restore, limit the future use of, or otherwise to conserve for public use or enjoyment, the property interest being transferred. At such time as the property interest is not used for the purposes enumerated, the compensating tax is imposed upon the current owner.

NEW SECTION. Sec. 14. A new section is added to chapter 79.155 RCW to read as follows:
The state treasurer, on behalf of the department, must distribute to counties for all lands acquired from private landowners for the purposes of this chapter an amount in lieu of real property taxes equal to the amount of tax that would be due if the land were taxable as open space land under chapter 84.34 RCW except taxes levied for any state purpose, plus an additional amount equal to the amount of weed control assessment that would be due if such lands were privately owned. The county assessor and county legislative authority shall assist in determining the appropriate calculation of the amount of tax that would be due. The county shall distribute the amount received under this section in lieu of real property taxes to all property taxing districts except the state in appropriate tax code areas the same way it would distribute local property taxes from private property. The county shall distribute the amount received under this section for weed control to the appropriate weed district.

Sec. 15. RCW 43.84.092 and 2013 c 251 s 3 and 2013 c 96 s 3 are each reenacted and amended to read as follows:
(1) All earnings of investments of surplus balances in the state treasury shall be deposited to the treasury income account, which account is hereby established in the state treasury.
(2) The treasury income account shall be utilized to pay or receive funds associated with federal programs as required by the federal cash management improvement act of 1990. The treasury income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for refunds or allocations of interest earnings required by
the cash management improvement act. Refunds of interest to the federal treasury required under the cash management improvement act fall under RCW 43.88.180 and shall not require appropriation. The office of financial management shall determine the amounts due to or from the federal government pursuant to the cash management improvement act. The office of financial management may direct transfers of funds between accounts as deemed necessary to implement the provisions of the cash management improvement act, and this subsection. Refunds or allocations shall occur prior to the distributions of earnings set forth in subsection (4) of this section.

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

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

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the Alaskan Way viaduct replacement project account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the cleanup settlement account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the common school construction fund, the county arterial preservation account, the county criminal justice assistance account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services
account, the department of retirement systems expense account, the developmental disabilities community trust account, the drinking water assistance account, the drinking water assistance administrative account, the drinking water assistance repayment account, the Eastern Washington University capital projects account, the Interstate 405 express toll lanes operations account, the education construction fund, the education legacy trust account, the election account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the federal forest revolving account, the ferry bond retirement fund, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the public health services account, the high capacity transportation account, the state higher education construction account, the higher education construction account, the highway bond retirement fund, the highway infrastructure account, the highway safety fund, the high occupancy toll lanes operations account, the hospital safety net assessment fund, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the mobile home park relocation fund, the motor vehicle fund, the motorcycle safety education account, the multimodal transportation account, the municipal criminal justice assistance account, the natural resources deposit account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account beginning July 1, 2004, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the site closure account, the skilled nursing facility
safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state route number 520 civil penalties account, the state route number 520 corridor account, the state wildlife account, the supplemental pension account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the volunteer firefighters' and reserve officers' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state economic development commission account, the Washington state health insurance pool account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific
permanent fund, the state university permanent fund, and the state reclamation revolving account shall be allocated to their respective beneficiary accounts.

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

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

Sec. 16. RCW 43.84.092 and 2013 c 251 s 4 and 2013 c 96 s 4 are each reenacted and amended to read as follows:

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

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

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

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

(a) The following accounts and funds shall receive their proportionate share of earnings based upon each account's and fund's average daily balance for the period: The aeronautics account, the aircraft search and rescue account, the Alaskan Way viaduct replacement project account, the budget stabilization account, the capital vessel replacement account, the capitol building construction account, the Cedar River channel construction and operation account, the Central Washington University capital projects account, the charitable, educational, penal and reformatory institutions account, the cleanup settlement account, the Columbia river basin water supply development account, the Columbia river basin taxable bond water supply development account, the Columbia river basin water supply revenue recovery account, the Columbia river crossing project account, the common school construction fund, the county arterial preservation account, the county criminal justice assistance account, the deferred compensation administrative account, the deferred compensation principal account, the department of licensing services account, the department of retirement systems expense account, the developmental disabilities community trust account, the drinking water assistance account, the drinking water assistance administrative account, the drinking water assistance repayment account, the Eastern Washington University capital projects account, the Interstate 405 express toll lanes operations account, the education construction fund, the education legacy trust account, the election account, the energy freedom account, the energy recovery act account, the essential rail assistance account, The Evergreen State College capital projects account, the federal forest revolving account, the ferry bond retirement fund, the freight mobility investment account, the freight mobility multimodal account, the grade crossing protective fund, the public health services account, the high capacity transportation account, the state higher education construction account, the
highway bond retirement fund, the highway infrastructure account, the highway safety fund, the high occupancy toll lanes operations account, the hospital safety net assessment fund, the industrial insurance premium refund account, the judges' retirement account, the judicial retirement administrative account, the judicial retirement principal account, the local leasehold excise tax account, the local real estate excise tax account, the local sales and use tax account, the marine resources stewardship trust account, the medical aid account, the mobile home park relocation fund, the motor vehicle fund, the motorcycle safety education account, the multimodal transportation account, the municipal criminal justice assistance account, the natural resources deposit account, the oyster reserve land account, the pension funding stabilization account, the perpetual surveillance and maintenance account, the public employees' retirement system plan 1 account, the public employees' retirement system combined plan 2 and plan 3 account, the public facilities construction loan revolving account beginning July 1, 2004, the public health supplemental account, the public works assistance account, the Puget Sound capital construction account, the Puget Sound ferry operations account, the real estate appraiser commission account, the recreational vehicle account, the regional mobility grant program account, the resource management cost account, the rural arterial trust account, the rural mobility grant program account, the rural Washington loan fund, the site closure account, the skilled nursing facility safety net trust fund, the small city pavement and sidewalk account, the special category C account, the special wildlife account, the state employees' insurance account, the state employees' insurance reserve account, the state investment board expense account, the state investment board commingled trust fund accounts, the state patrol highway account, the state route number 520 civil penalties account, the state route number 520 corridor account, the state wildlife account, the supplemental pension account, the Tacoma Narrows toll bridge account, the teachers' retirement system plan 1 account, the teachers' retirement system combined plan 2 and plan 3 account, the tobacco prevention and control account, the tobacco settlement account, the toll facility bond retirement account, the transportation 2003 account (nickel account), the transportation equipment fund, the transportation fund, the transportation improvement account, the transportation improvement
board bond retirement account, the transportation infrastructure account, the transportation partnership account, the traumatic brain injury account, the tuition recovery trust fund, the University of Washington bond retirement fund, the University of Washington building account, the volunteer firefighters' and reserve officers' relief and pension principal fund, the volunteer firefighters' and reserve officers' administrative fund, the Washington judicial retirement system account, the Washington law enforcement officers' and firefighters' system plan 1 retirement account, the Washington law enforcement officers' and firefighters' system plan 2 retirement account, the Washington public safety employees' plan 2 retirement account, the Washington school employees' retirement system combined plan 2 and 3 account, the Washington state economic development commission account, the Washington state health insurance pool account, the Washington state patrol retirement account, the Washington State University building account, the Washington State University bond retirement fund, the water pollution control revolving administration account, the water pollution control revolving fund, ((and)) the Western Washington University capital projects account, the Yakima integrated plan implementation account, the Yakima integrated plan implementation revenue recovery account, and the Yakima integrated plan implementation taxable bond account. Earnings derived from investing balances of the agricultural permanent fund, the normal school permanent fund, the permanent common school fund, the scientific permanent fund, the state university permanent fund, and the state reclamation revolving account shall be allocated to their respective beneficiary accounts.

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

(5) In conformance with Article II, section 37 of the state Constitution, no treasury accounts or funds shall be allocated earnings without the specific affirmative directive of this section.
NEW SECTION. Sec. 17. Section 15 of this act expires if the requirements set out in section 7, chapter 36, Laws of 2012 are met.

NEW SECTION. Sec. 18. Section 16 of this act takes effect if the requirements set out in section 7, chapter 36, Laws of 2012 are met.

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