
SECOND SUBSTITUTE SENATE BILL 5367

State of Washington 63rd Legislature 2013 2nd Special Session

By Senate Ways & Means (originally sponsored by Senators Honeyford, Hatfield, King, Nelson, Delvin, and Shin; by request of Governor Inslee)

READ FIRST TIME 06/28/13.

1 AN ACT Relating to Yakima river basin water resource management;
2 authorizing the acquisition of public lands by the department of
3 natural resources and management of community forest trust land to
4 preserve water basin function; amending RCW 90.38.005, 90.38.010,
5 90.38.900, 90.38.902, and 84.33.140; reenacting and amending RCW
6 43.84.092 and 43.84.092; adding new sections to chapter 90.38 RCW;
7 adding a new section to chapter 79.155 RCW; providing a contingent
8 effective date; providing expiration dates; and providing a contingent
9 expiration date.

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

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

13 (1) The legislature finds that:

14 (a) Under present physical conditions in the Yakima river basin
15 there is an insufficient supply of ground and surface water to satisfy
16 the present needs of the basin, and that the general health, welfare,
17 and safety of the people of the Yakima river basin depend upon the
18 conservation, management, development, and optimum use of all the
19 basin's water resources;

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

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

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

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

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

36 (g) The current real estate market provides opportunities to
37 acquire community forest lands that are useful for protecting and
38 enhancing watershed function at affordable prices;

1 (h) Although significant benefits are anticipated to result from
2 the implementation of the Yakima integrated plan, in light of its
3 substantial costs and the state's limited capacity to absorb them
4 within existing resources, there is a need to identify and evaluate
5 potential new state and local revenue sources to assist in paying the
6 state and local share of implementation costs.

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

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

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

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

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

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

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

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

29 (2) "Integrated plan" means the Yakima river basin integrated water
30 resource management plan developed through a consensus-based approach
31 by a diverse work group of representatives of the Yakama Nation,
32 federal, state, county, and city governments, environmental
33 organizations, and irrigation districts, which is to be implemented
34 consistent with congressional Yakima river basin water enhancement
35 project enactments and for which the final programmatic environmental
36 impact statement was made available for review through public notice
37 published in the federal register (77 FR 12076 (2012)).

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

6 (~~(3)~~) (4) "Trust water right" means that portion of an existing
7 water right, constituting net water savings, that is no longer required
8 to be diverted for beneficial use due to the installation of a water
9 conservation project that improves an existing system. The term "trust
10 water right" also applies to any other water right acquired by the
11 department under this chapter for management in the Yakima river basin
12 trust water rights program.

13 (~~(4)~~) (5) "Water conservation project" means any project funded
14 to further the purposes of this chapter and that achieves physical or
15 operational improvements of efficiency in existing systems for
16 diversion, conveyance, or application of water under existing water
17 rights.

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

24 (7) "Yakima river basin water enhancement project" means a series
25 of congressional enactments, originally initiated by the United States
26 congress in 1979 under P.L. 96-162, with subsequent federal
27 implementing legislation being passed in 1984 under section 109 of P.L.
28 98-381 to promote fish passage improvements, and in 1994 under P.L.
29 103-434, as amended by P.L. 105-62 in 1997 and P.L. 106-372 in 2000, to
30 promote water conservation, water supply, habitat, and stream
31 enhancement improvements in the Yakima river basin.

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

34 The department is authorized to implement the integrated water
35 resource management plan in the Yakima river basin, through a
36 coordinated effort of affected federal, state, and local agencies and
37 resources, to develop water supply solutions that provide concurrent

1 benefits to both instream and out-of-stream uses, and to address a
2 variety of water resource and ecosystem problems affecting fish
3 passage, habitat functions, and agricultural, municipal, and domestic
4 water supply in the Yakima river basin, consistent with the integrated
5 plan.

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

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

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

20 (c) Entering into contracts to ensure the effective delivery of
21 water and to provide for the design and construction of facilities
22 necessary to implement the objectives of the integrated plan and this
23 chapter.

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

27 (a) Protection, mitigation, and enhancement of fish and wildlife
28 through improved water management; improved instream flows; improved
29 water quality; protection, creation, and enhancement of wetlands;
30 improved fish passage, and by other appropriate means of habitat
31 improvement, including the protection and enhancement of natural
32 wetlands, floodplains, and groundwater storage systems;

33 (b) Improved water availability and reliability, and improved
34 efficiency of water delivery and use, to enhance basin water supplies
35 for agricultural irrigation, municipal, commercial, industrial,
36 domestic, and environmental water uses;

37 (c) Establishment of more efficient water markets and more
38 effective operational and structural changes to manage variability of

1 water supplies and to prepare for the uncertainties of climate change,
2 including but not limited to the facilitation of water banking, water
3 right transfers, dry year options, the voluntary sale and lease of
4 land, water, or water rights from any entity or individual willing to
5 limit or forego water use on a temporary or permanent basis, and any
6 other innovative water allocation tools used to maximize the utility of
7 existing Yakima river basin water supplies, as long as the
8 establishment and use of these tools is consistent with the integrated
9 plan.

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

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

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

33 (2) Expenditures from the account created in this section may be
34 used to assess, plan, and develop projects under the Yakima river basin
35 integrated water resource management plan or for any other actions
36 designed to provide access to new water supplies within the Yakima

1 river basin for both instream and out-of-stream uses, consistent with
2 the integrated plan and the authorities, goals, and objectives set
3 forth in section 3 of this act.

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

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

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

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

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

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

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

26 (4) For water supplies developed under the integrated plan to
27 support future municipal and domestic water needs, the department shall
28 give preference to other entities in managing water service contracts.
29 Where the department determines that the management of such contracts
30 by other entities is not feasible or suitable, the department may enter
31 into water service contracts with applicants receiving water from the
32 program to recover all or a portion of the cost of developing water
33 supplies made possible with funding from the account created in this
34 section. The department may deny an application if the applicant does
35 not enter into a water service contract. Revenue collected from water
36 service contracts must be deposited into the Yakima integrated plan
37 implementation revenue recovery account created in section 6 of this
38 act. The department may adopt rules describing the methodology as to

1 how charges will be established and direct costs recovered for water
2 supply developed under the Yakima river basin integrated water resource
3 management plan implementation program.

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

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

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

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

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

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

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

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

35 (b) The department may rely on studies and information developed
36 through compliance with other state and federal requirements and other

1 sources. The department shall compile its findings and conclusions and
2 provide a summary of the information it reviewed.

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

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

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

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

36 (2) Expenditures from the account created in this section may be
37 used to assess, plan, and develop projects under the Yakima river basin

1 integrated water resource management plan or for any other actions
2 designed to provide access to new water supplies within the Yakima
3 river basin for both instream and out-of-stream uses, consistent with
4 the integrated plan and the authorities, goals, and objectives set
5 forth in section 3 of this act.

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

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

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

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

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

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

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

28 (4) For water supplies developed under the integrated plan to
29 support future municipal and domestic water needs in the Yakima basin,
30 the department shall give preference to other entities in managing
31 water service contracts. Where the department determines that the
32 management of such contracts by other entities is not feasible or
33 suitable, the department may enter into water service contracts with
34 applicants receiving water from the program to recover all or a portion
35 of the cost of developing water supplies made possible with funding
36 from the account created in this section. The department may deny an
37 application if the applicant does not enter into a water service
38 contract. Revenue collected from water service contracts must be

1 deposited into the Yakima integrated plan implementation revenue
2 recovery account created in this section. The department may adopt
3 rules describing the methodology as to how charges will be established
4 and direct costs recovered for water supply developed under the Yakima
5 river basin integrated water resource management plan implementation
6 program.

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

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

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

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

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

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

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

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

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

27 (1) By December 1, 2015, and by December 1st of every odd-numbered
28 year thereafter, and in compliance with RCW 43.01.036, the department,
29 in consultation with the United States bureau of reclamation, the
30 Yakama Nation, Yakima river basin local governments, and key basin
31 stakeholders, shall provide a Yakima river basin integrated water
32 resource management plan implementation status report to the
33 legislature and to the governor that includes: A description of
34 measures that have been funded and implemented in the Yakima river
35 basin and their effectiveness in meeting the objectives of this act, a

1 project funding list that represents the state's percentage cost share
2 to implement the integrated plan measures for the current biennium and
3 cost estimates for subsequent biennia, a description of progress toward
4 concurrent realization of the integrated plan's fish passage, watershed
5 enhancement, and water supply goals, and an annual summary of all
6 associated costs to develop and implement projects within the framework
7 of the integrated water resource management plan for the Yakima river
8 basin.

9 (2) The status report required in this section for December 1,
10 2021, must include a statement of progress in achieving the water
11 supply facility permit and funding milestone, as defined in RCW
12 90.38.010. If, after a good faith effort to achieve the water supply
13 facility permit and funding milestone, it appears that the milestone
14 cannot or may not be met, the department, in consultation with the
15 United States bureau of reclamation, the Yakama Nation, Yakima river
16 basin local governments, and key basin stakeholders, shall provide a
17 detailed description of the impediments to achieving the milestone,
18 describe the strategy for resolving the identified impediments, and, if
19 necessary, recommend modifications to the milestone.

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

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

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

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 subject to subsection (1) of this section, so that it is
34 clear the extent to which an individual project is expected to result
35 in increases in fish populations, increases in the reliability of
36 irrigation water during severe drought years, and improvements in
37 municipal and domestic 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) This section expires July 1, 2025.

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

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

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

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

34 (3) In addition, the office of the state treasurer shall prepare
35 supplementary chapters to the cost estimate and financing plan for the
36 department that:

1 (a) Identifies and evaluates potential new state financing sources
2 to pay for the state's contribution towards the overall costs of the
3 Yakima integrated plan's implementation;

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

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

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

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

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

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

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

28 (1) Subject to the availability of amounts appropriated for this
29 specific purpose, the department of natural resources is authorized to
30 purchase land to be held in the community forest trust under RCW
31 79.155.040 to serve the purposes of the community forest trust
32 including the protection of Yakima river basin functioning, without
33 complying with the requirements of RCW 79.155.030(1), 79.155.060, or
34 79.155.070, relating to the identification, prioritization, local
35 commitment, and financial contribution normally prerequisite to
36 nominating and acquiring community forest trust lands. The purchase
37 must be reviewed and approved by the board of natural resources. In

1 its evaluation of this acquisition pursuant to RCW 79.155.040(3), the
2 board is relieved from considering the criteria for identifying and
3 prioritizing land set forth in RCW 79.155.050. Once purchased, the
4 land must be managed by the department of natural resources in
5 consultation with the department of fish and wildlife. Any investment
6 in the land purchase with funds belonging to the common school trust
7 constitutes a loan from the irreducible principal of the common school
8 trust and may only be made if first determined to be a prudent
9 investment by the board of natural resources. An annual interest
10 payment on the loan of nine percent must be paid, with six percent
11 deposited into the common school construction account and three percent
12 deposited into the real property replacement account. Interest begins
13 to accrue on the date the land purchase is completed and is due and
14 payable July 1st following the completion of the state fiscal year.
15 The principal of the loan must be repaid in accordance with the
16 provisions of subsection (3) of this section.

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

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

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

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

37 (iii) To maintain and where possible expand recreational

1 opportunities consistent with watershed protection, for activities such
2 as hiking, fishing, hunting, horseback riding, camping, birding, and
3 snowmobiling;

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

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

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

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

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

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

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

37 (i) Deposit of the entire amount of land purchased into the

1 ownership of the common school trust for management or disposition for
2 the benefit of the common schools; or

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

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

6 (1) When land has been designated as forest land under RCW
7 84.33.130, a notation of the designation must be made each year upon
8 the assessment and tax rolls. A copy of the notice of approval
9 together with the legal description or assessor's parcel numbers for
10 the land must, at the expense of the applicant, be filed by the
11 assessor in the same manner as deeds are recorded.

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

21	LAND	OPERABILITY	VALUES
22	GRADE	CLASS	PER ACRE
23		1	\$234
24	1	2	229
25		3	217
26		4	157
27		1	198
28	2	2	190
29		3	183
30		4	132
31		1	154
32	3	2	149
33		3	148
34		4	113
35		1	117

1	4	2	114
2		3	113
3		4	86
4		1	85
5	5	2	78
6		3	77
7		4	52
8		1	43
9	6	2	39
10		3	39
11		4	37
12		1	21
13	7	2	21
14		3	20
15		4	20
16	8		1

17 (3) On or before December 31, 2001, the department must adjust by
18 rule under chapter 34.05 RCW, the forest land values contained in
19 subsection (2) of this section in accordance with this subsection, and
20 must certify the adjusted values to the assessor who will use these
21 values in preparing the assessment roll as of January 1, 2002. For the
22 adjustment to be made on or before December 31, 2001, for use in the
23 2002 assessment year, the department must:

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

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

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

36 (4) For the adjustments to be made on or before December 31, 2002,
37 and each succeeding year thereafter, the same procedure described in

1 subsection (3) of this section must be followed using harvester excise
2 tax returns filed under RCW 84.33.074. However, this adjustment must
3 be made to the prior year's adjusted value, and the five-year periods
4 for calculating average harvested timber values must be successively
5 one year more recent.

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

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

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

12 (c) Sale or transfer of all or a portion of the land to a new
13 owner, unless the new owner has signed a notice of forest land
14 designation continuance, except transfer to an owner who is an heir or
15 devisee of a deceased owner, does not, by itself, result in removal of
16 designation. The signed notice of continuance must be attached to the
17 real estate excise tax affidavit provided for in RCW 82.45.150. The
18 notice of continuance must be on a form prepared by the department. If
19 the notice of continuance is not signed by the new owner and attached
20 to the real estate excise tax affidavit, all compensating taxes
21 calculated under subsection (11) of this section are due and payable by
22 the seller or transferor at time of sale. The auditor may not accept
23 an instrument of conveyance regarding designated forest land for filing
24 or recording unless the new owner has signed the notice of continuance
25 or the compensating tax has been paid, as evidenced by the real estate
26 excise tax stamp affixed thereto by the treasurer. The seller,
27 transferor, or new owner may appeal the new assessed valuation
28 calculated under subsection (11) of this section to the county board of
29 equalization in accordance with the provisions of RCW 84.40.038.
30 Jurisdiction is hereby conferred on the county board of equalization to
31 hear these appeals;

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

34 (i) The land is no longer primarily devoted to and used for growing
35 and harvesting timber. However, land may not be removed from
36 designation if a governmental agency, organization, or other recipient
37 identified in subsection (13) or (14) of this section as exempt from
38 the payment of compensating tax has manifested its intent in writing or

1 by other official action to acquire a property interest in the
2 designated forest land by means of a transaction that qualifies for an
3 exemption under subsection (13) or (14) of this section. The
4 governmental agency, organization, or recipient must annually provide
5 the assessor of the county in which the land is located reasonable
6 evidence in writing of the intent to acquire the designated land as
7 long as the intent continues or within sixty days of a request by the
8 assessor. The assessor may not request this evidence more than once in
9 a calendar year;

10 (ii) The owner has failed to comply with a final administrative or
11 judicial order with respect to a violation of the restocking, forest
12 management, fire protection, insect and disease control, and forest
13 debris provisions of Title 76 RCW or any applicable rules under Title
14 76 RCW; or

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

17 (6) Land may not be removed from designation if there is a
18 governmental restriction that prohibits, in whole or in part, the owner
19 from harvesting timber from the owner's designated forest land. If
20 only a portion of the parcel is impacted by governmental restrictions
21 of this nature, the restrictions cannot be used as a basis to remove
22 the remainder of the forest land from designation under this chapter.
23 For the purposes of this section, "governmental restrictions" includes:
24 (a) Any law, regulation, rule, ordinance, program, or other action
25 adopted or taken by a federal, state, county, city, or other
26 governmental entity; or (b) the land's zoning or its presence within an
27 urban growth area designated under RCW 36.70A.110.

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

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

34 (8) If land is removed from designation because of any of the
35 circumstances listed in subsection (5)(a) through (c) of this section,
36 the removal applies only to the land affected. If land is removed from
37 designation because of subsection (5)(d) of this section, the removal
38 applies only to the actual area of land that is no longer primarily

1 devoted to the growing and harvesting of timber, without regard to any
2 other land that may have been included in the application and approved
3 for designation, as long as the remaining designated forest land meets
4 the definition of forest land contained in RCW 84.33.035.

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

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

24 (11) Except as provided in subsection (5)(c), (13), or (14) of this
25 section, a compensating tax is imposed on land removed from designation
26 as forest land. The compensating tax is due and payable to the
27 treasurer thirty days after the owner is notified of the amount of this
28 tax. As soon as possible after the land is removed from designation,
29 the assessor must compute the amount of compensating tax and mail a
30 notice to the owner of the amount of compensating tax owed and the date
31 on which payment of this tax is due. The amount of compensating tax is
32 equal to the difference between the amount of tax last levied on the
33 land as designated forest land and an amount equal to the new assessed
34 value of the land multiplied by the dollar rate of the last levy
35 extended against the land, multiplied by a number, in no event greater
36 than nine, equal to the number of years for which the land was
37 designated as forest land, plus compensating taxes on the land at

1 forest land values up until the date of removal and the prorated taxes
2 on the land at true and fair value from the date of removal to the end
3 of the current tax year.

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

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

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

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

24 (c) A donation of fee title, development rights, or the right to
25 harvest timber, to a government agency or organization qualified under
26 RCW 84.34.210 and 64.04.130 for the purposes enumerated in those
27 sections, or the sale or transfer of fee title to a governmental entity
28 or a nonprofit nature conservancy corporation, as defined in RCW
29 64.04.130, exclusively for the protection and conservation of lands
30 recommended for state natural area preserve purposes by the natural
31 heritage council and natural heritage plan as defined in chapter 79.70
32 RCW or approved for state natural resources conservation area purposes
33 as defined in chapter 79.71 RCW, or for acquisition and management as
34 a community forest trust as defined in chapter 79.155 RCW. At such
35 time as the land is not used for the purposes enumerated, the
36 compensating tax specified in subsection (11) of this section is
37 imposed upon the current owner;

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

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

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

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

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

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

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

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

- 1 (a) An action described in subsection (13) of this section; or
2 (b) A transfer of a property interest to a government entity, or to
3 a nonprofit historic preservation corporation or nonprofit nature
4 conservancy corporation, as defined in RCW 64.04.130, to protect or
5 enhance public resources, or to preserve, maintain, improve, restore,
6 limit the future use of, or otherwise to conserve for public use or
7 enjoyment, the property interest being transferred. At such time as
8 the property interest is not used for the purposes enumerated, the
9 compensating tax is imposed upon the current owner.

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

12 The state treasurer, on behalf of the department, must distribute
13 to counties for all lands acquired from private landowners for the
14 purposes of this chapter an amount in lieu of real property taxes equal
15 to the amount of tax that would be due if the land were taxable as open
16 space land under chapter 84.34 RCW except taxes levied for any state
17 purpose, plus an additional amount equal to the amount of weed control
18 assessment that would be due if such lands were privately owned. The
19 county assessor and county legislative authority shall assist in
20 determining the appropriate calculation of the amount of tax that would
21 be due. The county shall distribute the amount received under this
22 section in lieu of real property taxes to all property taxing districts
23 except the state in appropriate tax code areas the same way it would
24 distribute local property taxes from private property. The county
25 shall distribute the amount received under this section for weed
26 control to the appropriate weed district.

27 **Sec. 15.** RCW 43.84.092 and 2013 c 251 s 3 and 2013 c 96 s 3 are
28 each reenacted and amended to read as follows:

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

32 (2) The treasury income account shall be utilized to pay or receive
33 funds associated with federal programs as required by the federal cash
34 management improvement act of 1990. The treasury income account is
35 subject in all respects to chapter 43.88 RCW, but no appropriation is
36 required for refunds or allocations of interest earnings required by

1 the cash management improvement act. Refunds of interest to the
2 federal treasury required under the cash management improvement act
3 fall under RCW 43.88.180 and shall not require appropriation. The
4 office of financial management shall determine the amounts due to or
5 from the federal government pursuant to the cash management improvement
6 act. The office of financial management may direct transfers of funds
7 between accounts as deemed necessary to implement the provisions of the
8 cash management improvement act, and this subsection. Refunds or
9 allocations shall occur prior to the distributions of earnings set
10 forth in subsection (4) of this section.

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

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

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

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

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

1 permanent fund, the state university permanent fund, and the state
2 reclamation revolving account shall be allocated to their respective
3 beneficiary accounts.

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

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

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

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

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

33 (3) Except for the provisions of RCW 43.84.160, the treasury income
34 account may be utilized for the payment of purchased banking services
35 on behalf of treasury funds including, but not limited to, depository,
36 safekeeping, and disbursement functions for the state treasury and
37 affected state agencies. The treasury income account is subject in all

1 respects to chapter 43.88 RCW, but no appropriation is required for
2 payments to financial institutions. Payments shall occur prior to
3 distribution of earnings set forth in subsection (4) of this section.

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

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

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

1 board bond retirement account, the transportation infrastructure
2 account, the transportation partnership account, the traumatic brain
3 injury account, the tuition recovery trust fund, the University of
4 Washington bond retirement fund, the University of Washington building
5 account, the volunteer firefighters' and reserve officers' relief and
6 pension principal fund, the volunteer firefighters' and reserve
7 officers' administrative fund, the Washington judicial retirement
8 system account, the Washington law enforcement officers' and
9 firefighters' system plan 1 retirement account, the Washington law
10 enforcement officers' and firefighters' system plan 2 retirement
11 account, the Washington public safety employees' plan 2 retirement
12 account, the Washington school employees' retirement system combined
13 plan 2 and 3 account, the Washington state economic development
14 commission account, the Washington state health insurance pool account,
15 the Washington state patrol retirement account, the Washington State
16 University building account, the Washington State University bond
17 retirement fund, the water pollution control revolving administration
18 account, the water pollution control revolving fund, ((and)) the
19 Western Washington University capital projects account, the Yakima
20 integrated plan implementation account, the Yakima integrated plan
21 implementation revenue recovery account, and the Yakima integrated plan
22 implementation taxable bond account. Earnings derived from investing
23 balances of the agricultural permanent fund, the normal school
24 permanent fund, the permanent common school fund, the scientific
25 permanent fund, the state university permanent fund, and the state
26 reclamation revolving account shall be allocated to their respective
27 beneficiary accounts.

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

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

1 NEW SECTION. **Sec. 17.** Section 15 of this act expires if the
2 requirements set out in section 7, chapter 36, Laws of 2012 are met.

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

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