



KIM REYNOLDS
GOVERNOR

OFFICE OF THE GOVERNOR

ADAM GREGG
LT GOVERNOR

January 31, 2018

The Honorable Paul Pate
Secretary of State of Iowa
State Capitol Building
LOCAL

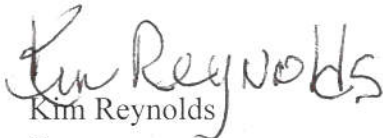
Dear Mr. Secretary:

I hereby transmit:

Senate File 512, an Act relating to water quality by amending the wastewater treatment financial assistance program, creating a water quality infrastructure fund, establishing a water quality financing program, providing for cost-share programs for infrastructure on agricultural and urban land under the water quality initiative, creating a water service excise tax and a related sales tax exemption, making transfers and appropriations and other changes properly related to water quality, and including effective date provisions..

The above Senate File is hereby approved this date.

Sincerely,


Kim Reynolds
Governor

cc: Secretary of the Senate
Clerk of the House



Senate File 512

AN ACT

RELATING TO WATER QUALITY BY AMENDING THE WASTEWATER TREATMENT FINANCIAL ASSISTANCE PROGRAM, CREATING A WATER QUALITY INFRASTRUCTURE FUND, ESTABLISHING A WATER QUALITY FINANCING PROGRAM, PROVIDING FOR COST-SHARE PROGRAMS FOR INFRASTRUCTURE ON AGRICULTURAL AND URBAN LAND UNDER THE WATER QUALITY INITIATIVE, CREATING A WATER SERVICE EXCISE TAX AND A RELATED SALES TAX EXEMPTION, MAKING TRANSFERS AND APPROPRIATIONS AND OTHER CHANGES PROPERLY RELATED TO WATER QUALITY, AND INCLUDING EFFECTIVE DATE PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 8.57, subsection 5, paragraph f, subparagraph (1), Code 2017, is amended by adding the following new subparagraph division:

NEW SUBPARAGRAPH DIVISION. (0c) (i) For each fiscal year of the period beginning July 1, 2020, and ending June 30, 2029, of the wagering tax receipts received pursuant to sections 99D.17 and 99F.11, the next fifteen million dollars shall be

deposited in the water quality infrastructure fund created in section 8.57B.

(ii) Notwithstanding subparagraph subdivision (i), this subparagraph division (0c) is repealed on one of the following dates, whichever is earlier:

(A) On July 1 following the enactment date that the tax rate for the sales tax imposed upon the retail sales price of tangible personal property and the furnishing of enumerated services sold in this state in effect on July 1, 2016, is increased.

(B) On July 1, 2029.

Sec. 2. Section 8.57, subsection 5, paragraph f, subparagraph (1), subparagraph division (d), Code 2017, is amended to read as follows:

(d) For the fiscal year beginning July 1, 2013, and for each fiscal year thereafter, the total moneys in excess of the moneys deposited under this paragraph "f" in the revenue bonds debt service fund, the revenue bonds federal subsidy holdback fund, the vision Iowa fund, the water quality infrastructure fund, and the Iowa skilled worker and job creation fund shall be deposited in the rebuild Iowa infrastructure fund and shall be used as provided in this section, notwithstanding section 8.60.

Sec. 3. NEW SECTION. 8.57B Water quality infrastructure fund — creation — appropriations.

1. A water quality infrastructure fund is created within the division of soil conservation and water quality of the department of agriculture and land stewardship. The fund shall consist of moneys transferred pursuant to section 8.57, subsection 5, paragraph "f", subparagraph (1), subparagraph division (0c), moneys transferred to the fund pursuant to section 423G.6, and appropriations made to the fund and transfers of interest, earnings, and moneys from other funds as provided by law.

2. The fund shall be separate from the general fund of the state and the balance in the fund shall not be considered part of the balance of the general fund of the state. However, the fund shall be considered a special account for the purposes

of section 8.53, relating to generally accepted accounting principles.

3. Moneys in the fund are appropriated to the division of soil conservation and water quality of the department of agriculture and land stewardship for the exclusive purpose of supporting water quality agriculture infrastructure programs created in section 466B.43.

4. Notwithstanding section 8.33, moneys in the fund that remain unencumbered or unobligated at the close of a fiscal year shall not revert but shall remain available for expenditure for the purposes designated. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the fund shall be credited to the fund.

Sec. 4. Section 16.134, Code 2017, is amended to read as follows:

16.134 Wastewater and drinking water treatment financial assistance program.

1. The Iowa finance authority shall establish and administer a wastewater and drinking water treatment financial assistance program. The purpose of the program shall be to provide financial assistance to enhance water quality. The program shall be administered in accordance with rules adopted by the authority pursuant to chapter 17A. For purposes of this section, "program" means the wastewater and drinking water treatment financial assistance program and "committee" means the water quality financing review committee created in subsection 9.

2. A wastewater and drinking water treatment financial assistance fund is created and shall consist of appropriations made to the fund and transfers of interest, earnings, and moneys from other funds as provided by law. Moneys transferred to the fund pursuant to section 16.134A are appropriated to the authority for purposes of the program. Moneys in the fund are not subject to section 8.33. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the fund shall be credited to the fund.

3. Financial assistance under the program shall be used to install or upgrade wastewater treatment facilities and systems and drinking water treatment facilities and systems,

including source water protection projects, and for engineering or technical assistance for facility planning and design.

4. The authority committee shall distribute approve financial assistance ~~in~~ from the fund in accordance with the following:

~~a. The goal of the program shall be to base awards on the impact of the grant combined with other sources of financing to ensure that sewer rates do not exceed one and one-half percent of a community's median household income.~~

~~b. a. Communities shall be eligible for financial assistance by qualifying as Priority shall be given for projects in which a disadvantaged community and is seeking financial assistance for the installation or upgrade of wastewater treatment facilities due to regulatory activity by the department of natural resources and drinking water treatment facilities.~~ For purposes of this section, the term "*disadvantaged community*" means the same as defined by the department.

~~c. b. Priority shall be given to projects in which the meeting criteria established in section 455B.199B in which the applicant seeks financial assistance is to be used to obtain with financing under the water pollution control works and drinking water facilities financing program pursuant to section 16.131 or other federal, or state, or private financing.~~

~~d. c. Priority shall also be given to projects whose completion will provide significant improvement to water quality in the relevant watershed.~~

~~e. d. Priority shall also be given to communities that employ an alternative wastewater treatment technology pursuant to section 455B.199C.~~

~~f. e. Priority shall be also be given to those communities where sewer or water rates are the highest as a percentage of that community's median household income.~~

f. Priority shall also be given to communities that employ technology to address the latest version of the "Iowa Nutrient Reduction Strategy" initially presented in November 2012 by the department of agriculture and land stewardship, the department of natural resources, and Iowa state university of science and technology.

g. Financial assistance in the form of grants shall be issued on an annual basis.

h. An applicant shall not receive a grant that exceeds five hundred thousand dollars.

4A. A utility management organization formed under chapter 28E or operated by a rural water system organized under chapter 357A or chapter 504 shall be considered eligible for financial assistance under the program.

5. The authority in cooperation with the department of natural resources shall ~~share~~ provide information and resources to the committee when the committee is determining the qualifications of a community for financial assistance from the fund.

6. The authority shall enter into agreements with financial assistance recipients and distribute moneys under the program pursuant to financial assistance determinations made by the committee. The authority may use an amount of not more than ~~four~~ one percent of any moneys appropriated for deposit in the fund for administration purposes.

7. By October 1 of each year, the authority shall submit a report to the governor and the general assembly itemizing expenditures under the program during the previous fiscal year, if any.

8. a. Beginning September 1, 2027, and every ten years thereafter, a program review committee is established for purposes of reviewing the wastewater and drinking water treatment financial assistance program. By December 1 of the same year, the program review committee shall file a report with the governor and the general assembly that reviews the effectiveness of the program during the prior ten fiscal years.

b. The program review committee shall consist of the following members:

(1) The governor or the governor's designee.

(2) The secretary of agriculture or the secretary's designee.

(3) The executive director of the authority or the executive director's designee.

(4) The director of the department of natural resources or the director's designee.

(5) Four members of the general assembly, with two from the senate and two from the house of representatives and not more than one member from each chamber being from the same political party. The two senators shall be designated one member each by the president of the senate, after consultation with the majority leader of the senate, and by the minority leader of the senate. The two representatives shall be designated one member each by the speaker of the house of representatives, after consultation with the majority leader of the house of representatives, and by the minority leader of the house of representatives.

c. Staffing services shall be provided by the authority.

9. a. A water quality financing review committee is created consisting of the secretary of agriculture or the secretary's designee, the executive director of the authority or the executive director's designee, and the director of the department of natural resources or the director's designee.

b. The committee shall review and approve or deny applications for financial assistance under the wastewater and drinking water treatment financial assistance program established in this section.

Sec. 5. NEW SECTION. 16.134A Water quality financial assistance fund.

1. A water quality financial assistance fund is created in the state treasury as a revolving fund.

2. The fund shall consist of all of the following:

a. (1) Moneys transferred to the fund pursuant to section 423G.6.

(2) This paragraph "a" is repealed on January 1, 2030.

b. Appropriations made to the fund and transfers of interest, earnings, and moneys from other funds as provided by law.

3. For each fiscal year in the fiscal period beginning July 1, 2018, and ending June 30, 2029, there is appropriated the following percentages of the balance of the fund for the following purposes:

a. Forty percent to the Iowa finance authority to support the wastewater and drinking water treatment financial assistance program created in section 16.134.

b. Forty-five percent to the Iowa finance authority to be credited to the water quality financing program fund created pursuant to section 16.144.

c. Fifteen percent to the division of soil conservation and water quality of the department of agriculture and land stewardship to support the water quality urban infrastructure program created in section 466B.44.

4. Moneys in the fund are not subject to section 8.33. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the fund shall be credited to the fund.

Sec. 6. NEW SECTION. 16.142 Definitions.

As used in this part, unless the context otherwise requires:

1. "*Cost*" means all costs, charges, expenses, or other indebtedness incurred by a loan recipient and determined by the authority as reasonable and necessary for carrying out all works and undertakings necessary or incidental to the accomplishment of any project.

2. "*Eligible entity*" means a municipality or a landowner, as determined by the authority, a public utility as defined in section 476.1, or a rural water district or rural water association as defined in section 357A.1.

3. "*Loan recipient*" means an eligible entity that has received a loan under the program.

4. "*Municipality*" means a governmental body such as a state agency or a political subdivision of the state. Municipality includes but is not limited to a city, city utility, county, soil and water conservation district, sanitary district, a subdistrict of any of the foregoing districts, a state agency, or other governmental body or corporation empowered to provide sewage collection and treatment services or drinking water, or any entity jointly exercising governmental powers pursuant to chapter 28E or 28F, or any other combination of two or more governmental bodies or corporations acting jointly under the laws of this state in connection with a project.

5. "*Program*" means the water quality financing program created in this part.

6. "*Project*" means any combination of improvements, structures, developments, tasks, actions, constructions, modifications, operations, or practices designed to improve

water quality that are proposed by an eligible entity and approved by the authority. "Project" includes but is not limited to any of the following:

a. A project meeting the requirements of part 2 of this subchapter.

b. A project, operation, or practice undertaken or carried out to address watershed protection, flood prevention, or water quality improvement.

c. A project meeting the requirements of a sponsor project under section 455B.199.

Sec. 7. NEW SECTION. 16.143 Water quality financing program.

1. The authority, in cooperation with the department of natural resources and the department of agriculture and land stewardship, shall establish and administer a water quality financing program. The purpose of the program shall be to provide financial assistance to enhance the quality of surface water and groundwater, particularly by providing financial assistance for projects designed to improve water quality by addressing point and nonpoint sources, with a higher prioritization provided to collaborative efforts.

2. The authority shall determine the interest rate and repayment terms for loans made under the program, in cooperation with the department of natural resources and the department of agriculture and land stewardship, and the authority shall enter into loan agreements with eligible entities in compliance with and subject to the terms and conditions of the program as described in this part.

3. The authority may charge loan recipients fees and assess costs against such recipients necessary for the continued operation of the program. Such fees and costs shall not exceed the costs directly associated with the administration of the program. Fees and costs collected pursuant to this subsection shall be deposited in the appropriate fund or account created in section 16.144.

4. The program shall be administered by the authority in accordance with rules adopted by the authority pursuant to chapter 17A.

Sec. 8. NEW SECTION. 16.144 Water quality financing program

fund — appropriation — other funds.

1. *a.* A water quality financing program fund is created and shall consist of appropriations made to the fund, moneys credited to the fund pursuant to section 16.134A, and transfers of interest, earnings, and moneys from other funds as provided by law. The fund shall be administered by the authority as a revolving fund. Moneys in the fund are appropriated to the authority for purposes of the program. Notwithstanding section 8.33, moneys in the fund that remain unencumbered or unobligated at the close of a fiscal year shall not revert but shall remain available for expenditure for the purposes designated. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys in the fund shall be credited to the fund.

b. The authority shall use the moneys in the fund to provide financial assistance to eligible entities under the program. The authority may provide financial assistance in the form deemed most convenient for the efficient financing of projects, including loans, forgivable loans, or grants. The authority shall administer the fund and the program in such a manner as to provide a permanent source of water quality project financial assistance to eligible entities.

c. The authority may annually use an amount of not more than one percent of the moneys in the fund for administrative purposes.

2. *a.* The authority may establish and maintain other funds and accounts determined to be necessary to carry out the purposes of the program and shall provide for the funding, administration, investment, restrictions, and disposition of the funds and accounts.

b. Moneys appropriated to and used by the authority for purposes of paying the costs and expenses associated with the administration of the program shall be administered as determined by the authority.

c. All moneys transferred to the authority for purposes of the program shall be deposited and held in a fund or account established and maintained pursuant to this section.

3. The funds or accounts held by the authority, or a trustee acting on behalf of the authority pursuant to a trust agreement

related to the program, shall not be considered part of the general fund of the state, are not subject to appropriation for any other purpose by the general assembly, and in determining a general fund balance shall not be included in the general fund of the state, but shall remain in the funds and accounts maintained by the authority or trustee pursuant to a trust agreement. Funds and accounts held by the authority, or a trustee acting on behalf of the authority pursuant to a trust agreement related to the program, are separate dedicated funds and accounts under the administration and control of the authority and subject to section 16.31.

4. By October 1, 2018, and by October 1 of each year thereafter, the authority shall submit a report to the governor and the general assembly itemizing expenditures from the fund, if any, during the previous fiscal year.

Sec. 9. NEW SECTION. 16.145 Eligible entities — agreements required.

1. An eligible entity may apply to the authority for financial assistance under the program by submitting a plan that meets the following requirements:

a. The plan includes one or more projects that improve water quality in the local area or watershed. Projects shall use practices identified in the latest version of the document entitled "Iowa Nutrient Reduction Strategy" initially presented in November 2012 by the department of agriculture and land stewardship, the department of natural resources, and Iowa state university of science and technology. A drainage or levee district established under chapter 468 shall utilize the installation of edge-of-field infrastructure as described in section 466B.43.

b. The plan describes in detail the manner in which the projects will be financed and undertaken, including, as applicable, the sources of revenue directed to financing the improvements as well as the eligible entities that will be receiving the revenues and how such revenues will be spent on the projects.

2. The authority shall review and approve or deny applications for financial assistance. The provision of financial assistance under the program shall take into account,

as applicable, the number of municipalities, landowners, public utilities, rural water districts, or rural water associations comprising an eligible entity and the eligible entity's financing capacity. The authority shall score applications for financial assistance according to rules adopted pursuant to this part. The authority shall only provide financial assistance to eligible entities that have sufficient financing capacity and that submit an appropriate plan designed to improve water quality.

3. An approved eligible entity shall enter into an agreement with the authority for the provision of financial assistance. The agreement shall include standard terms for the receipt of program moneys and any other terms the authority deems necessary or convenient for the efficient administration of the program.

Sec. 10. Section 423.3, Code 2017, is amended by adding the following new subsection:

NEW SUBSECTION. 103. *a.* The sales price from the sale or furnishing by a water utility of a water service in the state to consumers or users.

b. For purposes of this subsection:

(1) "*Water service*" means the delivery of water by piped distribution system.

(2) "*Water utility*" means a public utility as defined in section 476.1 that furnishes water by piped distribution system to the public for compensation.

Sec. 11. NEW SECTION. 423G.1 Short title.

This chapter may be cited as the "*Water Service Tax Act*".

Sec. 12. NEW SECTION. 423G.2 Definitions.

1. All words and phrases used in this chapter and defined in section 423.1 have the same meaning given them by section 423.1 for purposes of this chapter.

2. As used in this chapter, "*water service*" and "*water utility*" mean the same as defined in section 423.3, subsection 103.

Sec. 13. NEW SECTION. 423G.3 Water service tax.

An excise tax at the rate of six percent is imposed on the sales price from the sale or furnishing by a water utility of a water service in the state to consumers or users.

Sec. 14. NEW SECTION. 423G.4 Exemptions.

The sales price from transactions exempt from state sales tax under section 423.3, except section 423.3, subsection 103, is also exempt from the tax imposed by this chapter.

Sec. 15. NEW SECTION. 423G.5 Administration by director.

1. The director of revenue shall administer the water service tax as nearly as possible in conjunction with the administration of the state sales and use tax law, except that portion of the law that implements the streamlined sales and use tax agreement. The director shall provide appropriate forms, or provide on the regular state tax forms, for reporting water service tax liability.

2. The director may require all persons who are engaged in the business of deriving any sales price or purchase price subject to tax under this chapter to register with the department. The director may also require a tax permit applicable only to this chapter for any retailer not collecting, or any user not paying, taxes under chapter 423.

3. Section 422.25, subsection 4, sections 422.30, 422.67, and 422.68, section 422.69, subsection 1, sections 422.70, 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection 1, and sections 423.23, 423.24, 423.25, 423.31 through 423.35, 423.37 through 423.42, and 423.47, consistent with the provisions of this chapter, shall apply with respect to the tax authorized under this chapter, in the same manner and with the same effect as if the excise taxes on the sale or furnishing of a water service were retail sales taxes within the meaning of those statutes. Notwithstanding this subsection, the director shall provide for quarterly filing of returns and for other than quarterly filing of returns both as prescribed in section 423.31. All taxes collected under this chapter by a retailer or any user are deemed to be held in trust for the state of Iowa.

Sec. 16. NEW SECTION. 423G.6 Deposit of revenues.

1. All moneys received and all refunds shall be deposited in or withdrawn from the general fund of the state.

2. Subsequent to the deposit in the general fund of the state, the department shall transfer the following amounts to the following funds:

a. For revenues collected on or after July 1, 2018, but before August 1, 2019, one-twelfth of the revenues to the water quality infrastructure fund created in section 8.57B, and one-twelfth of the revenues to the water quality financial assistance fund created in section 16.134A.

b. For revenues collected on or after August 1, 2019, but before August 1, 2020, one-sixth of the revenues to the water quality infrastructure fund created in section 8.57B, and one-sixth of the revenues to the water quality financial assistance fund created in section 16.134A.

c. For revenues collected on or after August 1, 2020, one-half of the revenues to the water quality financial assistance fund created in section 16.134A.

Sec. 17. NEW SECTION. 423G.7 Future repeal.

This chapter is repealed upon the occurrence of one of the following, whichever is earlier:

1. The enactment date that the tax rate for the sales tax imposed upon the retail sales price of tangible personal property and the furnishing of enumerated services sold in this state in effect on July 1, 2016, is increased.

2. July 1, 2029.

Sec. 18. Section 455B.171, Code 2017, is amended by adding the following new subsections:

NEW SUBSECTION. 10A. "*Iowa nutrient reduction strategy*" means a water quality initiative developed and updated by the department of agriculture and land stewardship, the department of natural resources, and the college of agriculture and life sciences at Iowa state university of science and technology in order to assess and reduce nutrients in this state's watersheds that utilize a pragmatic, strategic, and coordinated approach with the goal of accomplishing reductions over time.

NEW SUBSECTION. 15A. "*Nutrient*" means total nitrogen and total phosphorus.

Sec. 19. Section 455B.171, subsection 19, Code 2017, is amended to read as follows:

19. "*Point source*" means any discernible, confined, and discrete conveyance, including but not limited to any pipe, ditch, channel, tunnel, conduit, well, discrete fissure, container, rolling stock, concentrated animal feeding

operation, or vessel or other floating craft, from which pollutants are or may be discharged. "Point source" does not include agricultural storm water discharge and return flows from irrigated agriculture.

Sec. 20. Section 455B.177, Code 2017, is amended by adding the following new subsection:

NEW SUBSECTION. 3. The general assembly further finds and declares that it is in the interest of the people of Iowa to assess and reduce nutrients in surface waters over time by implementing the Iowa nutrient reduction strategy. To evaluate the progress achieved over time toward the goals of the Iowa nutrient reduction strategy and the United States environmental protection agency gulf hypoxia action plan, the baseline condition shall be calculated for the time period from 1980 to 1996.

Sec. 21. Section 466B.3, subsection 3, paragraph c, Code 2017, is amended to read as follows:

c. Whether the funds, programs, and regulatory efforts coordinated by the council eventually result in a long-term improvement to the quality of surface water in Iowa. To evaluate the progress achieved over time toward the goals of the Iowa nutrient reduction strategy, as defined in section 455B.171, and the United States environmental protection agency gulf hypoxia action plan, the baseline condition shall be calculated for the time period from 1980 to 1996.

Sec. 22. Section 466B.42, Code 2017, is amended to read as follows:

466B.42 Water quality initiative.

The division shall establish a water quality initiative in order to assess and reduce nutrients in this state's watersheds, including subwatersheds, and regional watersheds, and for implementing its responsibilities under the Iowa nutrient reduction strategy as defined in section 455B.171. The division shall establish and administer projects to reduce nutrients in surface waters from nonpoint sources in a scientific, reasonable, and cost-effective manner. The division shall utilize a pragmatic, strategic, and coordinated approach with the goal of accomplishing reductions over time. To evaluate the progress achieved over time toward the goals

of the Iowa nutrient reduction strategy and the United States environmental protection agency gulf hypoxia action plan, the baseline condition shall be calculated for the time period from 1980 to 1996.

Sec. 23. NEW SECTION. 466B.43 Water quality agriculture infrastructure programs.

1. As part of the water quality initiative established pursuant to section 466B.42, the division shall administer water quality agriculture infrastructure programs created in this section.

2. The purpose of the programs is to support projects for the installation of infrastructure, including conservation structures, practices, or other measures that reduce contributing nutrient loads, associated sediment, or contaminants from sources to surface waters. The programs shall be administered in a manner that is consistent with the latest version of the "Iowa Nutrient Reduction Strategy" initially presented in November 2012 by the department of agriculture and land stewardship, the department of natural resources, and Iowa state university of science and technology.

3. An edge-of-field infrastructure program is created. The program shall support projects located on agricultural land, which may include demonstration projects, that capture or filter nutrients entering into a surface water. The program's projects shall be limited to infrastructure designed and installed for use over multiple years, including but not limited to wetlands, bioreactor systems, saturated buffers, or land use changes. The program shall be financed on a cost-share basis.

4. An in-field infrastructure program is created. The program shall support projects located on agricultural land, which may include demonstration projects, that decrease erosion and precipitation-induced surface runoff, increase water infiltration rates, and increase soil sustainability. The program's projects shall be limited to infrastructure designed and installed for use over multiple years, including but not limited to structures, terraces, and waterways located on cropland or pastureland, and including but not limited to soil conservation or erosion control structures or managed drainage

systems. The program shall be financed on a cost-share basis.

5. Any state moneys used to finance a project under a water quality agriculture infrastructure program shall be administered according to an agreement entered into by the division and the owner of the land where the infrastructure is to be installed. The agreement shall include standard terms and conditions for the receipt of program moneys and any other terms and conditions the division deems necessary or convenient for the efficient administration of the project or program. The division may support multiple installations of infrastructure on a single parcel of land. The division may also combine programs if cost effective. The division may annually use an amount of not more than four percent of the moneys used to support each program for administrative purposes.

6. By October 1, 2018, and each October 1, thereafter, the division shall submit a report to the governor and the general assembly itemizing expenditures, by hydrologic unit code 8 watershed, under the programs during the previous fiscal year, if any.

7. Any information obtained by the division identifying a person holding a legal interest in agricultural land or specific agricultural land shall be a confidential record under section 22.7.

Sec. 24. NEW SECTION. 466B.44 Water quality urban infrastructure program.

1. As part of the water quality initiative established pursuant to section 466B.42, the division shall administer a water quality urban infrastructure program.

2. The purpose of the program is to support watershed projects and advance implementation of the latest version of the "Iowa Nutrient Reduction Strategy" initially presented in November 2012 by the department of agriculture and land stewardship, the department of natural resources, and Iowa state university of science and technology, which program support may include demonstration projects that decrease erosion, precipitation-induced surface runoff, and storm water discharges and that increase water infiltration rates. The program's projects shall be based on Iowa's storm water

management manual published by the department of natural resources.

3. The program shall be financed on a cost-share basis or through cooperative agreements with watershed projects funded through section 455B.199 whose project activities fall outside the territorial boundaries of a city.

4. Any state moneys used to finance a project under a water quality urban infrastructure program shall be administered according to an agreement entered into by the division and the owner of the land where the infrastructure is to be installed. The agreement shall include standard terms and conditions for the receipt of program moneys and any other terms and conditions the division deems necessary or convenient for the efficient administration of the project or program. The division may support multiple installations of infrastructure on a single parcel of land. The division may annually use an amount of not more than four percent of the moneys used to support the program for administrative purposes.

5. Notwithstanding any other provision in this section to the contrary, beginning on July 1, 2018, the division may use any amount available to support the water quality urban infrastructure program to instead extend and support the three-year data collection of in-field agricultural practices project as enacted in 2015 Iowa Acts, ch. 132, §18.

6. Notwithstanding any other provision of this section to the contrary, the division may use any amount available to support the water quality urban infrastructure program to develop and maintain an online resource displaying measurable indicators of desirable change in water quality within the state's watersheds. These measurable indicators may include but are not limited to public and private funding inputs, involvement in water quality projects, and improvements, land use, practice adoption, calculated load reduction, and measured loads at existing monitoring stations.

7. By October 1, 2018, and by October 1 of each year thereafter, the division shall submit a report to the governor and the general assembly itemizing expenditures under the program, if any, during the previous fiscal year.

8. Any information obtained by the division identifying a

person holding a legal interest in land or specific land shall be a confidential record under section 22.7.

Sec. 25. INTERIM STUDY COMMITTEE ON SMALL CITIES AND CLEAN WATER STANDARDS.

1. The legislative council is requested to establish a study committee for the 2017 interim to identify and comprehensively review the financial and other challenges faced by small cities in complying with the various state and federal clean water standards, and to consider options for addressing those challenges.

2. The interim committee's review shall include an evaluation of the future effectiveness of the wastewater and drinking water treatment financial assistance program created in this Act in section 16.134 and the water quality financing program created in sections 16.142 through 16.145, and may include evaluations of other existing or proposed state programs as desired. The committee shall seek input and may request information or assistance from public and private stakeholders and experts, including utility management organizations, the Iowa association of business and industry, the department of natural resources, the Iowa finance authority, the department of agriculture and land stewardship, the economic development authority, the Iowa chamber alliance, the Iowa league of cities, and the Iowa state association of counties.

3. The interim committee shall submit its findings and recommendations to the general assembly for consideration during the 2018 legislative session.

Sec. 26. LEGISLATIVE INTENT. It is the intent of the general assembly that the amendment in this Act to the definition of point source in section 455B.171, subsection 19, is a conforming amendment consistent with current state and federal law, and that the amendment does not change the application of current law but instead reflects current law both before and after the enactment of this Act.

Sec. 27. EFFECTIVE DATE. The following provision or provisions of this Act take effect July 1, 2018:

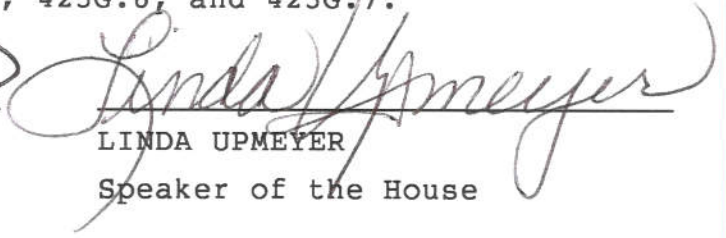
1. The section of this Act enacting section 423.3, subsection 103.

2. The sections of this Act enacting sections 423G.1, 423G.2, 423G.3, 423G.4, 423G.5, 423G.6, and 423G.7.



JACK WHITVER

President of the Senate



LINDA UPMEYER

Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 512, Eighty-seventh General Assembly.



W. CHARLES SMITHSON

Secretary of the Senate

Approved January 31st, 2018



KIM REYNOLDS

Governor