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[HF 2440](#) – Water Quality Program Technical Corrections (LSB6167HV)  
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Fiscal Note Version – New

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**Description**

[House File 2440](#) makes changes to [SF 512](#) (Water Quality Act) that was signed by the Governor on January 31, 2018.

The Bill makes the following changes:

- Eliminates the requirement that a drainage or levee district must install edge-of-field infrastructure.
- Gives priority to communities with drinking water facilities that have a water source listed on the [federal impaired water listing](#) for funding from the Wastewater and Drinking Water Treatment Financial Assistance Program.
- Defines the term “specified industry” and adds it to the list of eligible entities that can apply for funding from the Water Quality Financing Program.
- Adds rural improvement zones to the list of eligible entities that can participate as a member of a Watershed Management Authority.
- Gives priority for surface water projects that supply drinking water to communities and that are listed on the federal impaired water listing for funding from the Water Quality Infrastructure Program.
- Creates a 2018 interim study committee that will review issues faced by small cities to comply with federal and State clean water standards. The committee will submit its findings and recommendations during the 2019 Legislative Session.
- Extends the time period for the use of the money for the Nutrient Reduction Strategy Measurement Pilot Project funding through FY 2020. Specifies the funds can be used for the Nutrient Reduction Strategy Measurement Pilot Project or can be used for education and outreach programs by the DALs in cooperation with ISU.
- Requires an annual report that details expenditures for the following programs: the Wastewater and Drinking Water Treatment Financial Assistance Program, the Water Quality Financing Program, the Urban Infrastructure Program, and the Water Quality Agriculture Infrastructure Program. The first report will be submitted by October 1, 2019, to the Governor and the General Assembly. Annual reports for each of the programs are required by October 1 of each year.
- The provision of the Bill authorizing the use of moneys appropriated from the Groundwater Protection Fund takes effect upon enactment.

**Background**

[Senate File 512](#) (Water Quality Act) created the Water Quality Infrastructure Fund and the Water Quality Financial Assistance Fund. The Water Quality Infrastructure Fund is funded by the Water Service Excise Tax for FY 2019 to FY 2020. Beginning in FY 2021, the Water Quality Infrastructure Fund is credited \$15.0 million per year from wagering tax receipts that are currently paying off Vision Iowa bonds. The Division of Soil Conservation and Water Quality in the Department of Agriculture and Land Stewardship (DALs) administers the Water Quality Infrastructure Fund.

The Water Quality Financial Assistance Fund is in the State Treasury and is funded by the Water Service Excise Tax from FY 2019 through FY 2030. The money is distributed as follows:

- 40.0% to the Iowa Finance Authority (IFA) for the Wastewater and Drinking Water Treatment Financial Assistance Program.
- 45.0% to the IFA for the Water Quality Financing Program that funds projects to improve the quality of surface water and groundwater.
- 15.0% to the Division of Soil Conservation and Water Quality of the DALS for the Water Quality Urban Infrastructure Program.

[Senate File 494](#) (FY 2015 Agriculture and Natural Resources Appropriations Act) transferred \$1.2 million from the Agriculture Management Account of the Groundwater Protection Fund to the College of Agriculture and Life Sciences (CALs) at Iowa State University (ISU) for a three-year Nutrient Reduction Strategy Measurement Pilot Project to develop protocols for measuring the annual progress of the Iowa Nutrient Reduction Strategy. The CALs contracted with the Iowa Nutrient Research and Education Council (INREC) to conduct a pilot project and the agreement between ISU and the INREC was signed April 19, 2016.

### **Fiscal Impact**

The Bill has no fiscal impact to the State. As of December 31, 2017, there was \$580,000 remaining from the \$1.2 million transfer for the Nutrient Reduction Strategy Measurement Pilot Project. The money can be used for the Nutrient Reduction Strategy Measurement Pilot Project or the DALS can use the money for education and outreach programs in cooperation with ISU.

### **Sources**

Board of Regents  
Department of Agriculture and Land Stewardship  
Iowa Finance Authority

/s/ Holly M. Lyons

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February 26, 2018

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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