

**House Study Bill 601 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED GOVERNOR BILL)

**A BILL FOR**

1 An Act relating to water quality by providing funding for  
2 water quality financial assistance programs, extending the  
3 period of time for collecting sales tax for deposit in the  
4 secure an advanced vision for education fund, and modifying  
5 allocations of state sales and use tax revenue collections.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.134, Code 2016, is amended to read as  
2 follows:

3 **16.134 Wastewater and drinking water treatment financial**  
4 **assistance program.**

5 1. The Iowa finance authority shall establish and  
6 administer a wastewater and drinking water treatment financial  
7 assistance program. The purpose of the program shall be to  
8 provide financial assistance to enhance water quality. The  
9 program shall be administered in accordance with rules adopted  
10 by the authority pursuant to chapter 17A. For purposes of  
11 this section, "program" means the wastewater and drinking water  
12 treatment financial assistance program and "committee" means  
13 the water quality financing review committee created in section  
14 16.143.

15 2. A wastewater and drinking water treatment financial  
16 assistance fund is created and shall consist of appropriations  
17 made to the fund and transfers of interest, earnings, and  
18 moneys from other funds as provided by law. Moneys in the  
19 fund are not subject to section 8.33. Notwithstanding section  
20 12C.7, subsection 2, interest or earnings on moneys in the fund  
21 shall be credited to the fund.

22 3. Financial assistance under the program shall be used to  
23 install or upgrade wastewater treatment facilities and systems  
24 and drinking water treatment facilities and systems, and for  
25 engineering or technical assistance for facility planning and  
26 design.

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

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

34 ~~b. a. Communities shall be eligible for financial~~  
35 ~~assistance by qualifying as~~ Priority shall be given for

1 projects in which a disadvantaged community and is seeking  
2 financial assistance for the installation or upgrade of  
3 wastewater treatment facilities ~~due to regulatory activity~~  
4 ~~by the department of natural resources~~ and drinking water  
5 treatment facilities. For purposes of **this section**, the term  
6 "*disadvantaged community*" means the same as defined by the  
7 department.

8 ~~e.~~ b. Priority shall be given to projects in which the  
9 financial assistance is used ~~to obtain~~ with financing under the  
10 water pollution control works and drinking water facilities  
11 financing program pursuant to **section 16.131** or other federal  
12 or state financing.

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

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

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

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

24 ~~h.~~ g. An applicant shall not receive a grant that exceeds  
25 five hundred thousand dollars.

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

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

1 for administration purposes.

2 Sec. 2. NEW SECTION. 16.142 **Definitions.**

3 1. As used in this part, unless the context otherwise  
4 requires:

5 *a.* "Committee" means the water quality financing review  
6 committee created in section 16.143.

7 *b.* "Cost" means all costs, charges, expenses, or other  
8 indebtedness incurred by a loan recipient and determined by  
9 the committee as reasonable and necessary for carrying out  
10 all works and undertakings necessary or incidental to the  
11 accomplishment of any project.

12 *c.* "Eligible entity" means a municipality meeting the  
13 requirements in section 16.146, or a landowner, as determined  
14 by the committee.

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

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

29 *f.* "Program" means the water quality financing program  
30 created in this part.

31 *g.* "Project" means any combination of improvements,  
32 structures, developments, tasks, actions, constructions,  
33 modifications, operations, or practices designed to improve  
34 water quality that are proposed by an eligible entity and  
35 approved by the committee. "Project" includes but is not

1 limited to any of the following:

2 (1) A project meeting the requirements of part 2 of this  
3 subchapter.

4 (2) A project, operation, or practice undertaken or carried  
5 out to address watershed protection, flood prevention, or water  
6 quality improvement.

7 (3) A project meeting the requirements of a sponsor project  
8 under section 455B.199.

9 Sec. 3. NEW SECTION. **16.143 Water quality financing review**  
10 **committee.**

11 1. A water quality financing review committee is created  
12 consisting of the secretary of agriculture or the secretary's  
13 designee, the executive director of the authority or the  
14 executive director's designee, and the director of the  
15 department of natural resources or the director's designee.

16 2. The committee shall review and approve or deny  
17 applications for financial assistance under the water quality  
18 financing program established in section 16.144 and the  
19 wastewater and drinking water treatment financial assistance  
20 program established under section 16.134.

21 Sec. 4. NEW SECTION. **16.144 Water quality financing**  
22 **program.**

23 1. The authority, in cooperation with the department of  
24 natural resources and the department of agriculture and land  
25 stewardship, shall establish and administer a water quality  
26 financing program. The purpose of the program shall be to  
27 provide financial assistance to enhance the quality of surface  
28 water and groundwater, particularly by providing financial  
29 assistance for projects designed to improve water quality by  
30 addressing point and nonpoint sources.

31 2. The authority shall determine the interest rate  
32 and repayment terms for loans made under the program, in  
33 cooperation with the department of natural resources and  
34 the department of agriculture and land stewardship, and the  
35 authority shall enter into loan agreements with eligible

1 entities in compliance with and subject to the terms and  
2 conditions of the program as described in this part.

3 3. The authority may charge loan recipients fees and assess  
4 costs against such recipients necessary for the continued  
5 operation of the program. Such fees and costs shall not exceed  
6 the costs directly associated with the administration of the  
7 program. Fees and costs collected pursuant to this subsection  
8 shall be deposited in the appropriate fund or account created  
9 in section 16.145.

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

13 **Sec. 5. NEW SECTION. 16.145 Water quality financing program**  
14 **fund — appropriation — other funds.**

15 1. *a.* A water quality financing program fund is created  
16 and shall consist of appropriations made to the fund, transfers  
17 to the fund pursuant to section 423.2, subsection 11, and  
18 transfers of interest, earnings, and moneys from other  
19 funds as provided by law. The fund shall be administered by  
20 the authority as a revolving fund. Moneys in the fund are  
21 appropriated to the authority for purposes of the program.  
22 Notwithstanding section 8.33, moneys in the fund that remain  
23 unencumbered or unobligated at the close of a fiscal year shall  
24 not revert but shall remain available for expenditure for the  
25 purposes designated. Notwithstanding section 12C.7, subsection  
26 2, interest or earnings on moneys in the fund shall be credited  
27 to the fund.

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

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

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

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

13     *c.* All moneys transferred to the authority pursuant to  
14 section 423.2, subsection 11, shall be deposited and held in  
15 a fund or account established and maintained pursuant to this  
16 section for purposes of the program.

17     3. The funds or accounts held by the authority, or a trustee  
18 acting on behalf of the authority pursuant to a trust agreement  
19 related to the program, shall not be considered part of the  
20 general fund of the state, are not subject to appropriation for  
21 any other purpose by the general assembly, and in determining  
22 a general fund balance shall not be included in the general  
23 fund of the state, but shall remain in the funds and accounts  
24 maintained by the authority or trustee pursuant to a trust  
25 agreement. Funds and accounts held by the authority, or a  
26 trustee acting on behalf of the authority pursuant to a trust  
27 agreement related to the program, are separate dedicated funds  
28 and accounts under the administration and control of the  
29 authority and subject to section 16.31.

30     Sec. 6. NEW SECTION. 16.146 Eligible entities — agreements  
31 required.

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

35     *a.* The plan includes one or more projects that substantially

1 improve water quality in the local area or watershed. Projects  
2 shall be in accordance with the latest version of the document  
3 entitled "Iowa Nutrient Reduction Strategy" initially presented  
4 in November 2012 by the department of agriculture and land  
5 stewardship, the department of natural resources, and Iowa  
6 state university of science and technology.

7     *b.* The plan describes in detail the manner in which the  
8 projects will be financed and undertaken, including, as  
9 applicable, the sources of revenue directed to financing the  
10 improvements as well as the municipalities or landowners that  
11 will be receiving the revenues and how such revenues will be  
12 spent on the projects.

13     2. The committee shall review and approve or deny  
14 applications for financial assistance. The provision of  
15 financial assistance under the program shall take into account,  
16 as applicable, the number of municipalities or landowners  
17 comprising an eligible entity and the eligible entity's  
18 financing capacity. The committee shall score applications  
19 for financial assistance according to rules adopted pursuant  
20 to this part. The committee shall only provide financial  
21 assistance to eligible entities that have sufficient financing  
22 capacity and that submit an appropriate plan designed to  
23 improve water quality.

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

30     Sec. 7. NEW SECTION. 161A.101 **Water quality infrastructure**  
31 **cost-share program.**

32     1. The division shall establish and administer a water  
33 quality infrastructure cost-share program. The program  
34 shall provide financial assistance on a cost-share basis to  
35 landowners for installing infrastructure projects designed to



1 improve the water quality of the watershed in which the land  
2 is located. In order to be eligible for financial assistance,  
3 a proposed project must be designed to reduce the transport of  
4 nutrients to water from nonpoint sources within watersheds in  
5 accordance with the latest revision of the document entitled  
6 "Iowa Nutrient Reduction Strategy" initially presented in  
7 November 2012 by the department of agriculture and land  
8 stewardship, the department of natural resources, and Iowa  
9 state university of science and technology. The division  
10 shall review proposed projects submitted by applicants,  
11 negotiate project details with applicants, and approve or  
12 deny applications. The division shall score applications  
13 for financial assistance according to rules adopted pursuant  
14 to this section. The division shall adopt rules pursuant to  
15 chapter 17A necessary for the administration of the program.

16 2. A water quality infrastructure cost-share fund is  
17 created within the state treasury under the control of the  
18 division. Moneys in the fund shall consist of appropriations  
19 made to the fund, transfers to the fund pursuant to section  
20 423.2, subsection 11, and transfers of interest, earnings,  
21 and moneys from other funds as provided by law. Moneys in  
22 the fund are appropriated to the division for purposes of the  
23 program. The department may use up to four percent of the  
24 moneys credited to the fund each fiscal year for purposes of  
25 administrative costs. Notwithstanding section 8.33, moneys in  
26 the fund that remain unencumbered or unobligated at the close  
27 of a fiscal year shall not revert but shall remain available  
28 for expenditure for the purposes designated. Notwithstanding  
29 section 12C.7, subsection 2, interest or earnings on moneys in  
30 the fund shall be credited to the fund.

31 Sec. 8. Section 423.2, subsection 11, paragraph b,  
32 subparagraph (3), Code 2016, is amended by striking the  
33 subparagraph and inserting in lieu thereof the following:

- 34 (3) (a) Of the one-sixth of the remaining revenues:  
35 (i) Beginning July 1, 2016, transfer to the secure

1 an advanced vision for education fund created in section  
2 423F.2, an amount equal to the amount transferred to the  
3 secure an advanced vision for education fund pursuant to  
4 this subparagraph for the fiscal year beginning July 1,  
5 2015. Beginning July 1, 2017, the amount transferred to the  
6 secure an advanced vision for education fund pursuant to this  
7 subparagraph subdivision shall increase each fiscal year by ten  
8 million dollars.

9 (ii) Following the transfer under subparagraph subdivision  
10 (i), transfer any remaining amount as follows:

11 (A) Twenty-five percent to the wastewater and drinking  
12 water treatment financial assistance fund created in section  
13 16.134.

14 (B) Twenty-five percent to the water quality financing  
15 program fund created in section 16.145.

16 (C) Fifty percent to the division of soil conservation  
17 and water quality of the department of agriculture and land  
18 stewardship for purposes of the water quality infrastructure  
19 cost-share program created in section 161A.101, assisting  
20 landowners with implementing water quality practices on a  
21 cost-share basis as provided in chapter 161A, and water quality  
22 demonstration projects.

23 (b) This subparagraph (3) is repealed January 1, 2050.

24 Sec. 9. Section 423.2, subsection 14, Code 2016, is amended  
25 to read as follows:

26 14. The sales tax rate of six percent is reduced to five  
27 percent beginning on January 1, ~~2030~~ 2050.

28 Sec. 10. Section 423.5, subsection 5, Code 2016, is amended  
29 to read as follows:

30 5. The use tax rate of six percent is reduced to five  
31 percent beginning on January 1, ~~2030~~ 2050.

32 Sec. 11. Section 423.43, subsection 1, paragraph b, Code  
33 2016, is amended to read as follows:

34 b. Subsequent to the deposit into the general fund of  
35 the state and after the transfer of such revenues collected

1 under chapter 423B, the department shall transfer one-sixth of  
2 such remaining revenues to the ~~secure an advanced vision for~~  
3 ~~education fund created in section 423F.2~~ funds specified in  
4 section 423.2, subsection 11, paragraph "b", subparagraph (3),  
5 in amounts proportionate to the transfers in section 423.2,  
6 subsection 11, paragraph "b", subparagraph (3). This paragraph  
7 is repealed ~~December 31, 2029~~ January 1, 2050.

8 Sec. 12. Section 423F.1, Code 2016, is amended to read as  
9 follows:

10 **423F.1 Legislative intent.**

11 It is the intent of the general assembly that the extension  
12 of the increase in the state sales, services, and use taxes  
13 under chapter 423, subchapters II and III, from five percent  
14 to six percent ~~on July 1, 2008~~ to January 1, 2050, shall be  
15 used solely for purposes of providing revenues to local school  
16 districts under this chapter to be used solely for school  
17 infrastructure purposes or school district property tax relief  
18 and water quality efforts.

19 Sec. 13. Section 423F.3, subsection 7, Code 2016, is amended  
20 to read as follows:

21 7. The general assembly shall not alter the purposes as  
22 stated in section 423F.1 for which the revenues received under  
23 this section may be used from infrastructure and property tax  
24 relief purposes and water quality efforts to any other purpose  
25 unless the bill is approved by a vote of at least two-thirds  
26 of the members of both chambers of the general assembly and is  
27 signed by the governor.

28 Sec. 14. Section 423F.6, Code 2016, is amended to read as  
29 follows:

30 **423F.6 Repeal.**

31 This chapter is repealed ~~December 31, 2029~~ January 1, 2050.

32

EXPLANATION

33 The inclusion of this explanation does not constitute agreement with  
34 the explanation's substance by the members of the general assembly.

35 This bill relates to water quality by providing funding

1 for water quality financial assistance programs, extending  
2 the period of time for collecting sales tax for deposit in  
3 the secure an advanced vision for education (SAVE) fund, and  
4 modifying allocations of state sales and use tax revenue  
5 collections.

6 The bill creates a water quality financing review committee  
7 to review and approve applications for financial assistance  
8 under the water quality financing program and the wastewater  
9 and drinking water treatment financial assistance program.

10 The bill amends the wastewater treatment financial  
11 assistance program administered by the Iowa finance authority.  
12 Currently, the program provides financial assistance to install  
13 or upgrade wastewater treatment facilities and systems, and  
14 for engineering or technical assistance for facility planning  
15 and design. Awards of financial assistance are made by the  
16 authority. The bill adds drinking water treatment facilities  
17 and systems to the program and provides that the water quality  
18 financing review committee shall approve financial assistance.

19 The bill creates a water quality financing program to  
20 provide financial assistance in the form of loans, forgivable  
21 loans, and grants to enhance the quality of surface water and  
22 groundwater, particularly by providing financial assistance  
23 for projects designed to reduce the amount of contamination by  
24 point and nonpoint sources. The program is administered by  
25 the Iowa finance authority in cooperation with the department  
26 of natural resources and the department of agriculture and  
27 land stewardship. The bill creates a water quality financing  
28 program fund administered by the authority to provide financial  
29 assistance under the program. The bill allows the authority  
30 to establish and maintain other funds and accounts necessary  
31 to carry out the purposes of the program. Moneys in the water  
32 quality financing program fund are not part of the general fund  
33 and are not included in determining the balance of the general  
34 fund of the state. Under the program, an eligible entity is  
35 a municipality, as defined in the bill, or a landowner. The

1 bill provides certain application requirements regarding a plan  
2 for water quality improvement and financing and requires loan  
3 recipients to enter into agreements with the authority for  
4 terms of the financial assistance.

5 The bill establishes a water quality infrastructure  
6 cost-share program to provide financial assistance on a  
7 cost-share basis to landowners for installing infrastructure  
8 projects designed to improve the water quality of the watershed  
9 in which the land is located. In order to be eligible for  
10 financial assistance, a proposed project must be designed  
11 to reduce the transport of nutrients to water from nonpoint  
12 sources within watersheds in accordance with the latest  
13 revision of the document entitled "Iowa Nutrient Reduction  
14 Strategy" initially presented in November 2012 by the  
15 department of agriculture and land stewardship, the department  
16 of natural resources, and Iowa state university of science  
17 and technology. The division of soil conservation and water  
18 quality of the department of agriculture and land stewardship  
19 shall review proposed projects submitted by applicants,  
20 negotiate project details with applicants, and approve  
21 applications. The bill creates a water quality infrastructure  
22 cost-share fund under the control of the division to provide  
23 financial assistance under the program.

24 Code section 423.2 imposes a state tax of 6 percent upon  
25 the sales price of all sales of tangible personal property,  
26 consisting of goods, wares, merchandise, and other items  
27 designated by statute, sold at retail in the state to  
28 consumers, except as otherwise provided by Code chapter 423.  
29 Generally, by operation of law, a sale subject to the sales tax  
30 is also subject to the use tax. Following certain specified  
31 transfers, one-sixth of the remaining state sales tax revenue  
32 from the 6 percent tax is transferred to the SAVE fund created  
33 in Code section 423F.2. Moneys in the SAVE fund are allocated  
34 to school districts on a per pupil basis to be used for  
35 infrastructure and property tax relief purposes specified in

1 Code chapter 423F. Under current law, the sales tax rate of 6  
2 percent is reduced to 5 percent on January 1, 2030, and Code  
3 chapter 423F, along with other corresponding provisions, is  
4 repealed December 31, 2029.

5 The bill extends the imposition of the sales tax at the  
6 6 percent rate, the allocation to the SAVE fund, and the  
7 statutory repeal of Code chapter 423F until January 1, 2050.  
8 The bill amends the legislative intent provision that describes  
9 the purpose of increasing the state sales tax from 5 to 6  
10 percent to include water quality efforts.

11 The bill also divides the revenues currently transferred to  
12 the SAVE fund. Currently, after certain transfers are made,  
13 one-sixth of the remaining revenues are transferred to the SAVE  
14 fund. Beginning July 1, 2016, the bill transfers an amount to  
15 the SAVE fund equal to the amount transferred to the SAVE fund  
16 for the fiscal year beginning July 1, 2015. Beginning July 1,  
17 2017, the amount transferred to the SAVE fund increases each  
18 fiscal year by \$10 million. Any moneys remaining from the  
19 one-sixth of the remaining revenues following the transfer to  
20 the SAVE fund are transferred to the wastewater and drinking  
21 water treatment financial assistance fund, the water quality  
22 financing program fund, and the water quality infrastructure  
23 cost-share fund. The wastewater and drinking water treatment  
24 financial assistance fund and the water quality financing  
25 program fund each receive 25 percent of the remainder, and  
26 the division of soil conservation and water quality receives  
27 50 percent of the remainder for purposes of the water quality  
28 infrastructure cost-share program, assisting landowners with  
29 implementing water quality practices on a cost-share basis, and  
30 water quality demonstration projects.