

**House File 538 - Introduced**

HOUSE FILE 538  
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 135)

**A BILL FOR**

1 An Act relating to water quality by providing for  
2 appropriations from the rebuild Iowa infrastructure fund,  
3 creating a water quality infrastructure fund, establishing  
4 new water quality programs, providing for cost-share  
5 programs for infrastructure on agricultural land under the  
6 water quality initiative, creating a state water service  
7 excise tax and a related sales tax exemption, making  
8 appropriations and other changes properly related to water  
9 quality, and including retroactive applicability provisions.  
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8.57, subsection 5, Code 2017, is amended  
2 by adding the following new paragraph:

3 NEW PARAGRAPH. *Oh.* (1) Notwithstanding paragraph "c" of  
4 this subsection, there is appropriated from the rebuild Iowa  
5 infrastructure fund to the water quality infrastructure fund  
6 created in section 8.57B the following amounts:

7 (a) For the fiscal year beginning July 1, 2017, and ending  
8 June 30, 2018, five million dollars.

9 (b) For the fiscal year beginning July 1, 2018, and ending  
10 June 30, 2019, six million five hundred thousand dollars.

11 (c) For the fiscal year beginning July 1, 2019, and ending  
12 June 30, 2020, eleven million five hundred thousand dollars.

13 (d) For the fiscal year beginning July 1, 2020, and ending  
14 June 30, 2021, sixteen million five hundred thousand dollars.

15 (e) For the fiscal year beginning July 1, 2021, and ending  
16 June 30, 2022, sixteen million five hundred thousand dollars.

17 (f) For the fiscal year beginning July 1, 2022, and ending  
18 June 30, 2023, twenty-two million dollars.

19 (g) For the fiscal year beginning July 1, 2023, and ending  
20 June 30, 2024, twenty-two million dollars.

21 (h) For the fiscal year beginning July 1, 2024, and ending  
22 June 30, 2025, twenty-two million dollars.

23 (i) For the fiscal year beginning July 1, 2025, and ending  
24 June 30, 2026, twenty-two million dollars.

25 (j) For the fiscal year beginning July 1, 2026, and ending  
26 June 30, 2027, twenty-two million dollars.

27 (k) For the fiscal year beginning July 1, 2027, and ending  
28 June 30, 2028, twenty-two million dollars.

29 (l) For the fiscal year beginning July 1, 2028, and ending  
30 June 30, 2029, twenty-two million dollars.

31 (m) For the fiscal year beginning July 1, 2029, and ending  
32 June 30, 2030, twenty-two million dollars.

33 (2) This paragraph "Oh" is repealed on January 1, 2031.

34 Sec. 2. NEW SECTION. 8.57B Water quality infrastructure  
35 fund — creation — appropriations.

1 1. A water quality infrastructure fund is created within  
2 the division of soil conservation and water quality of the  
3 department of agriculture and land stewardship. The fund  
4 shall consist of moneys appropriated from the rebuild Iowa  
5 infrastructure fund pursuant to section 8.57, subsection 5,  
6 paragraph "oh".

7 2. The fund shall be separate from the general fund of the  
8 state and the balance in the fund shall not be considered part  
9 of the balance of the general fund of the state. However, the  
10 fund shall be considered a special account for the purposes  
11 of section 8.53, relating to generally accepted accounting  
12 principles.

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

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

24 5. This section is repealed on the date that all moneys  
25 transferred to the water quality infrastructure fund from  
26 the rebuild Iowa infrastructure fund pursuant to section  
27 8.57, subsection 5, paragraph "oh", including any interest  
28 or earnings on such moneys credited to the water quality  
29 infrastructure fund, are expended by the division of soil  
30 conservation and water quality of the department of agriculture  
31 and land stewardship, and the balance of the water quality  
32 infrastructure fund is zero. The director of the division  
33 of soil conservation and water quality of the department of  
34 agriculture and land stewardship shall notify the Iowa Code  
35 editor of this occurrence.

1     Sec. 3. NEW SECTION. 16.140 Water quality protection and  
2 wastewater treatment grant program — fund.

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

5     *a.* “Clean Water Act” means the same as defined in section  
6 16.131A.

7     *b.* “Eligible entity” means either of the following:

8       (1) An entity engaged in an industry identified in the Iowa  
9 nutrient reduction strategy, as determined by the authority,  
10 which industry is or will be required pursuant to the Iowa  
11 nutrient reduction strategy to collect data on the source,  
12 concentration, and mass of total nitrogen or total phosphorus  
13 in its effluent, and to evaluate alternatives for reducing the  
14 amount of nutrients in its discharge.

15       (2) An entity implementing technology or operational  
16 improvements to reduce nutrients in its discharge.

17     *c.* “Iowa nutrient reduction strategy” means a water  
18 quality initiative developed and updated by the department of  
19 agriculture and land stewardship, the department of natural  
20 resources, and the college of agriculture and life sciences at  
21 Iowa state university of science and technology in order to  
22 assess and reduce nutrients in this state’s watersheds that  
23 utilizes a pragmatic, strategic, and coordinated approach with  
24 the goal of accomplishing reductions over time.

25     *d.* “Municipality” means a city or a rural water district or  
26 association empowered by law to provide sewage collection and  
27 treatment services or drinking water.

28     *e.* “Program” means the water quality protection and  
29 wastewater treatment grant program created in this section.

30     *f.* “Safe Drinking Water Act” means the same as defined in  
31 section 16.131A.

32     *g.* “Source water protection project” means a project or  
33 activity designed to prevent pollutants from entering public  
34 drinking water sources.

35     *h.* “Wastewater infrastructure improvement” includes

1 the acquisition, construction, reconstruction, extension,  
2 equipping, improvement, or rehabilitation of any works or  
3 facilities useful for the collection, treatment, and disposal  
4 of sewage or industrial waste in a sanitary manner, including  
5 treatment works as defined in section 212 of the Clean Water  
6 Act, and including the implementation and development of  
7 sponsor projects under section 455B.199.

8     *i.* "Water infrastructure improvement" includes the  
9 acquisition, construction, reconstruction, extending,  
10 remodeling, improving, repairing, or equipping of waterworks,  
11 water mains, extensions, or treatment facilities useful  
12 for providing potable water to residents served by a water  
13 system, including the acquisition of real property needed  
14 for such purposes, and such other purposes and programs as  
15 may be authorized under the Safe Drinking Water Act. "Water  
16 infrastructure improvement" does not include the acquisition of  
17 real property through the use of eminent domain.

18     2. The Iowa finance authority shall establish and  
19 administer a water quality protection and wastewater treatment  
20 grant program for the purpose of providing financial assistance  
21 in the form of grants to enhance water quality, upgrade water  
22 and wastewater infrastructure, and to implement the Iowa  
23 nutrient reduction strategy. The program shall be administered  
24 in accordance with rules adopted by the authority pursuant to  
25 chapter 17A.

26     3. *a.* A water quality protection and wastewater treatment  
27 grant fund is created in the state treasury and shall consist  
28 of appropriations made to the fund, transfers of interest,  
29 earnings, moneys from other funds as provided by law, and  
30 moneys accepted by the authority for deposit in the fund  
31 from other public or private sources. Moneys credited  
32 or transferred to the fund pursuant to section 16.198 are  
33 appropriated to the authority for purposes of the program.  
34 Moneys in the fund shall be used exclusively for purposes of  
35 the program.

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

7     4. Grants may be awarded under the program for any of the  
8 following:

9     *a.* To a municipality or an eligible entity participating in  
10 a nutrient reduction exchange, for the purpose of purchasing  
11 nutrient reduction credits or for implementing water quality  
12 practices as described in the Iowa nutrient reduction strategy.  
13 For purposes of this paragraph, "*nutrient reduction credit*" and  
14 "*nutrient reduction exchange*" both mean the same as defined in  
15 section 16.206, section 1, paragraph "*d*".

16     *b.* To a municipality or an eligible entity for up to fifty  
17 percent of the costs associated with conducting economic and  
18 technical feasibility studies or developing implementation  
19 plans and reports required by the Iowa nutrient reduction  
20 strategy.

21     *c.* To a municipality for a source water protection project.

22     *d.* To a municipality or an eligible entity for water  
23 infrastructure improvements or for wastewater infrastructure  
24 improvements.

25     5. Priority for grants shall be given to projects or  
26 activities that will provide improvement to water quality in  
27 the relevant watershed.

28     6. Priority for grants shall be given to projects or  
29 activities that also have private financing, or financing  
30 pursuant to section 16.131 under the water pollution control  
31 works and drinking water facilities financing program created  
32 pursuant to section 455B.294, or other federal or state  
33 financing.

34     7. Priority for grants shall be given to projects or  
35 activities that are part of a project receiving financing under

1 the water quality project financial assistance program under  
2 sections 16.201 through 16.206.

3 8. Grants awarded under the program shall not exceed five  
4 hundred thousand dollars per recipient.

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

8 10. *a.* Beginning September 1, 2027, and every ten years  
9 thereafter, a program review committee is established for  
10 purposes of reviewing the program. By December 1 of the  
11 same year, the review committee shall file a report with  
12 the governor and the general assembly that reviews the  
13 effectiveness of the program during the previous ten fiscal  
14 years.

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

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

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

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

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

24 (5) Four members of the general assembly, with two from the  
25 senate and two from the house of representatives and not more  
26 than one member from each chamber being from the same political  
27 party. The two senators shall be designated one member each  
28 by the president of the senate, after consultation with the  
29 majority leader of the senate, and by the minority leader of  
30 the senate. The two representatives shall be designated one  
31 member each by the speaker of the house of representatives,  
32 after consultation with the majority leader of the house of  
33 representatives, and by the minority leader of the house of  
34 representatives.

35 *c.* Staffing services shall be provided by the authority.

1     Sec. 4. NEW SECTION. 16.198 Water quality financial  
2 assistance fund.

3     1. A water quality financial assistance fund is created in  
4 the state treasury.

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

6     a. (1) Moneys transferred to the fund pursuant to section  
7 423G.6.

8     (2) This paragraph "a" is repealed upon the date on which  
9 chapter 423G is repealed pursuant to section 423G.7.

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

13    3. For each fiscal year in the period beginning July 1,  
14 2017, and ending when chapter 423G is repealed pursuant to  
15 section 423G.7, there is appropriated the following amounts of  
16 the balance of the fund for the following purposes:

17    a. One-sixth of the balance of the fund to the Iowa finance  
18 authority to be credited to the water quality protection and  
19 wastewater treatment grant fund created pursuant to section  
20 16.140, subsection 3.

21    b. Five-sixths of the balance of the fund to the Iowa  
22 finance authority to be credited to the water quality project  
23 financial assistance fund created pursuant to section 16.204.

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

27     Sec. 5. NEW SECTION. 16.201 Definitions.

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

29     1. "Committee" means the water quality project financing  
30 committee created in section 16.205, subsection 4.

31     2. "Eligible entity" means a financing entity meeting the  
32 requirements of section 16.206, as determined by the committee.

33     3. "Financing entity" means two or more persons that have  
34 entered into an agreement for purposes of joint financing of a  
35 project under the program. A financing entity may include but



1 is not limited to a governmental body such as a state agency or  
2 a political subdivision of the state, a city or a city utility,  
3 a public utility as defined in section 476.1 that furnishes  
4 drinking water, sanitary sewage, or storm water services to the  
5 public for compensation, a county, a rural water district or  
6 association, a soil and water conservation district, a sanitary  
7 district, a subdistrict of any of the foregoing districts, a  
8 governmental body or corporation empowered to provide sewage  
9 collection and treatment services or drinking water, an entity  
10 jointly exercising governmental powers pursuant to chapter 28E  
11 or 28F, or any other combination of two or more public agencies  
12 or private agencies as defined in section 28E.2, acting jointly  
13 under Iowa law in connection with a project.

14 4. "*Iowa nutrient reduction strategy*" means a water  
15 quality initiative developed and updated by the department of  
16 agriculture and land stewardship, the department of natural  
17 resources, and the college of agriculture and life sciences at  
18 Iowa state university of science and technology in order to  
19 assess and reduce nutrients in this state's watersheds that  
20 utilizes a pragmatic, strategic, and coordinated approach with  
21 the goal of accomplishing reductions over time.

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

24 6. "*Program*" means the water quality project financial  
25 assistance program created in this part.

26 7. "*Project*" means any combination of works, facilities,  
27 improvements, structures, developments, tasks, activities,  
28 constructions, modifications, operations, or practices designed  
29 to improve water quality or water resource management that are  
30 proposed by an eligible entity and approved by the committee.  
31 "*Project*" includes but is not limited to the following:

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

34 b. A project, operation, or practice undertaken or carried  
35 out pursuant to chapter 161A, 161C, 161E, or 161F.

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

3 d. Other water resource restoration projects as defined in  
4 section 384.80, including ones financed pursuant to section  
5 28F.1.

6 e. An agricultural nonpoint source project eligible for a  
7 water quality agriculture infrastructure program under section  
8 466B.43.

9 8. *"Revolving fund"* means the fund created in section  
10 16.204.

11 Sec. 6. NEW SECTION. 16.202 Water quality project financial  
12 assistance program — funding — bonds and notes.

13 1. The authority shall cooperate with the department of  
14 natural resources and the department of agriculture and land  
15 stewardship in the creation, administration, and financing of  
16 the program established in this part.

17 2. The authority may issue its bonds and notes until June  
18 30, 2042, for the purposes of this part, including for the  
19 purposes of funding the program established under section  
20 16.205 and of funding any fund or account created under section  
21 16.204.

22 3. The authority may enter into one or more loan agreements  
23 or purchase agreements with one or more bondholders or  
24 noteholders containing the terms and conditions of the  
25 repayment of and the security for the bonds or notes. The  
26 authority and the bondholders or noteholders or a trustee  
27 agent designated by the authority may enter into agreements to  
28 provide for any of the following:

29 a. That the proceeds of the bonds and notes and the  
30 investments of the proceeds may be received, held, and  
31 disbursed by the authority or by a trustee or agent designated  
32 by the authority.

33 b. That the bondholders or noteholders or a trustee or  
34 agent designated by the authority may collect, invest, and  
35 apply the amount payable under the loan agreements or any

1 other instruments securing the debt obligations under the loan  
2 agreements.

3     *c.* That the bondholders or noteholders may enforce the  
4 remedies provided in the loan agreements or other instruments  
5 on their own behalf without the appointment or designation of a  
6 trustee. If there is a default in the principal of or interest  
7 on the bonds or notes or in the performance of any agreement  
8 contained in the loan agreements or other instruments, the  
9 payment or performance may be enforced in accordance with the  
10 loan agreement or other instrument.

11     *d.* Other terms and conditions as deemed necessary or  
12 appropriate by the authority.

13     4. The powers granted the authority under this section  
14 are in addition to other powers contained in this chapter.  
15 All other provisions of this chapter, except section 16.28,  
16 subsection 4, apply to bonds or notes issued and powers granted  
17 to the authority under this section except to the extent they  
18 are inconsistent with this section.

19     5. All bonds or notes issued by the authority in connection  
20 with the program are exempt from taxation by this state and the  
21 interest on the bonds or notes is exempt from state income tax.

22     Sec. 7. NEW SECTION. **16.203 Security — reserve funds —**  
23 **pledges — nonliability — irrevocable contracts.**

24     1. The authority may provide in the resolution, trust  
25 agreement, or other instrument authorizing the issuance of its  
26 bonds or notes pursuant to section 16.202 that the principal  
27 of, premium, and interest on the bonds or notes are payable  
28 from any of the following and may pledge the same to its bonds  
29 and notes:

30     *a.* The income and receipts or other moneys derived from the  
31 projects financed with the proceeds of the bonds or notes.

32     *b.* The income and receipts or other moneys derived from  
33 designated projects whether or not the projects are financed in  
34 whole or in part with the proceeds of the bonds or notes.

35     *c.* The amounts on deposit in the revolving fund.

1     *d.* The amounts payable to the authority by eligible entities  
2 pursuant to loan agreements with eligible entities.

3     *e.* Any other funds or accounts established by the authority  
4 in connection with the program or the sale and issuance of its  
5 bonds or notes.

6     2. The authority may establish reserve funds to secure  
7 one or more issues of its bonds or notes. The authority may  
8 deposit in a reserve fund established under this subsection the  
9 proceeds of the sale of its bonds or notes and other moneys  
10 that are made available from any other source.

11    3. It is the intention of the general assembly that a pledge  
12 made in respect of bonds or notes issued under this part shall  
13 be valid and binding from the time the pledge is made, that the  
14 moneys or property so pledged and received after the pledge  
15 by the authority shall immediately be subject to the lien of  
16 the pledge without physical delivery or further act, and that  
17 the lien of the pledge shall be valid and binding as against  
18 all parties having claims of any kind in tort, contract, or  
19 otherwise against the authority whether or not the parties have  
20 notice of the lien. Neither the resolution, trust agreement,  
21 nor any other instrument by which a pledge is created needs to  
22 be recorded or filed under the Iowa uniform commercial code,  
23 chapter 554, to be valid, binding, or effective against the  
24 parties.

25    4. Neither the members of the authority nor persons  
26 executing the bonds or notes are liable personally on the bonds  
27 or notes or are subject to personal liability or accountability  
28 by reason of the issuance of the bonds or notes.

29    5. The bonds or notes issued by the authority are not  
30 an indebtedness or other liability of the state or of a  
31 political subdivision of the state within the meaning of  
32 any constitutional or statutory debt limitations but are  
33 special obligations of the authority, and are payable solely  
34 from the income and receipts or other funds or property of  
35 the authority, and the amounts on deposit in the revolving

1 fund, and the amounts payable to the authority under its loan  
2 agreements with eligible entities to the extent that the  
3 amounts are designated in the resolution, trust agreement, or  
4 other instrument of the authority authorizing the issuance of  
5 the bonds or notes as being available as security for such  
6 bonds or notes. The authority shall not pledge the faith or  
7 credit of the state or of a political subdivision of the state  
8 to the payment of any bonds or notes. The issuance of any bonds  
9 or notes by the authority does not directly, indirectly, or  
10 contingently obligate the state or a political subdivision of  
11 the state to apply moneys from, or levy or pledge any form of  
12 taxation whatever to, the payment of the bonds or notes.

13 6. It is the intent of the general assembly, and the state  
14 hereby pledges to the holders of bonds or notes issued under  
15 this part, that the state will not limit or alter the rights  
16 and powers vested in the authority to fulfill the terms of a  
17 contract made by the authority with respect to the bonds or  
18 notes, or in any way impair the rights and remedies of the  
19 holders until the bonds or notes, together with the interest on  
20 the bonds or notes, including interest on unpaid installments  
21 of interest, and all costs and expenses in connection with an  
22 action or proceeding by or on behalf of the holders, are fully  
23 met and discharged. The authority is authorized to include  
24 this pledge and agreement of the state, as it refers to holders  
25 of bonds or notes of the authority, in a contract with the  
26 holders.

27 **Sec. 8. NEW SECTION. 16.204 Water quality project financial**  
28 **assistance fund — other funds and accounts.**

29 1. a. A water quality project financial assistance  
30 fund is created in the state treasury and shall consist of  
31 appropriations made to the fund, moneys credited or transferred  
32 to the fund pursuant to section 16.198, and transfers of  
33 interest, earnings, and moneys from other funds as provided  
34 by law. The fund shall be administered by the authority as a  
35 revolving fund.

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

4     *c.* The authority shall use the moneys in the fund to provide  
5 financial assistance to eligible entities under the program  
6 pursuant to section 16.205.

7     *d.* The authority may use an amount of not more than one  
8 percent of the moneys in the fund for administrative purposes.

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

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

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

31     Sec. 9. NEW SECTION. **16.205 Water quality project financial**  
32 **assistance program — committee created — rules — use of funds.**

33     1. The authority, in cooperation with the department of  
34 natural resources and the department of agriculture and land  
35 stewardship, shall establish and administer a water quality

1 project financial assistance program. The purpose of the  
2 program shall be to provide financial assistance to enhance  
3 the quality of surface water and groundwater, particularly  
4 by providing financial assistance for projects designed to  
5 improve water quality through collaboration between point  
6 and nonpoint sources. The authority may provide financial  
7 assistance in the form deemed most convenient for the efficient  
8 financing of projects, including loans, forgivable loans, and  
9 grants. However, the authority shall administer the fund and  
10 the program in such a manner as to provide a permanent source  
11 of water quality project financial assistance to eligible  
12 entities.

13 2. The program shall be administered by the authority  
14 in accordance with rules adopted by the authority pursuant  
15 to chapter 17A. In adopting such rules, the authority shall  
16 consult with the department of natural resources and the  
17 department of agriculture and land stewardship.

18 3. The authority shall process and review financial  
19 assistance applications and make recommendations to the  
20 committee.

21 4. *a.* A water quality project financing committee is  
22 created to consider applications for financial assistance from  
23 eligible entities and approve awards of financial assistance  
24 under the program. The committee shall consist of three  
25 members, one appointed by the executive director of the  
26 authority, one appointed by the director of the department  
27 of natural resources, and one appointed by the secretary of  
28 agriculture.

29 *b.* The committee shall review project plans submitted  
30 pursuant to section 16.206, negotiate project details with  
31 eligible entities, and make financial assistance awards. The  
32 provision of financial assistance under the program shall take  
33 into account the number of persons comprising an eligible  
34 entity and the eligible entity's financing capacity as well as  
35 the extent to which the proposed projects will improve water

1 quality.

2 c. The committee shall score applications for financial  
3 assistance according to rules adopted pursuant to this part.  
4 The committee shall only provide financial assistance to  
5 eligible entities that have sufficient financing capacity and  
6 that propose a plan likely to make progress toward achieving  
7 the goals for agricultural and nonpoint sources described in  
8 the Iowa nutrient reduction strategy.

9 5. The authority shall determine the interest rate  
10 and repayment terms for loans made under the program, in  
11 cooperation with the department of natural resources and  
12 the department of agriculture and land stewardship, and the  
13 authority shall enter into loan agreements with eligible  
14 entities in compliance with and subject to the terms and  
15 conditions of the program.

16 6. The authority shall adopt rules relating to the  
17 proportional liability, if any, of members of an eligible  
18 entity when such eligible entity enters into a loan agreement  
19 under the program.

20 7. The authority may charge loan recipients fees and assess  
21 costs against such recipients necessary for the continued  
22 operation of the program. Such fees and costs shall not exceed  
23 the costs directly associated with the administration of the  
24 program. Fees and costs collected pursuant to this subsection  
25 shall be deposited in the appropriate fund or account created  
26 in section 16.204.

27 8. Financial assistance under the program shall be used by  
28 eligible entities to fund projects designed to improve water  
29 quality.

30 Sec. 10. NEW SECTION. 16.206 Eligible entities — project  
31 plans — agreements required.

32 1. A financing entity may apply to the authority for  
33 financial assistance under the program. To be eligible, a  
34 financing entity shall meet the following requirements:

35 a. The financing entity shall include two or more entities



1 acting jointly to propose a project plan designed to improve  
2 water quality in a local area or watershed.

3     **b.** The plan shall include one or more projects that  
4 substantially improve water quality in the local area or  
5 watershed. Preference shall be given to projects that will  
6 have the greatest impact on achieving the goals of the Iowa  
7 nutrient reduction strategy, and plans designed to achieve  
8 those goals shall be presumed to substantially improve water  
9 quality in the local area or watershed.

10     **c.** The plan shall describe in detail the manner in which  
11 the projects will be financed and undertaken, including the  
12 sources of financing for the projects as well as the public or  
13 private entities that will be receiving the revenues and how  
14 such revenues will be spent on the projects. In describing the  
15 projects and financing, the plan should attempt to quantify  
16 the amount of nutrient reduction to be achieved under the  
17 plan and should provide a reasonable means for verification  
18 of the amount of nutrient reduction after the projects have  
19 been financed and completed. Preference shall be given to  
20 a financing entity that has had its plan evaluated by the  
21 Iowa nutrient research center established in section 466B.47.  
22 Preference shall also be given to a financing entity that has  
23 contracted with the Iowa nutrient research center to verify  
24 the amount of nutrient reduction achieved by the project upon  
25 project completion.

26     **d.** (1) The plan may include a nutrient reduction exchange  
27 between two or more members of the financing entity. A plan  
28 that includes a nutrient reduction exchange shall be presumed  
29 to substantially improve water quality in the local area or  
30 watershed.

31     (2) For purposes of this paragraph:

32     (a) "*Nutrient reduction*" means a reduction in nitrogen or  
33 phosphorus as measured against standards or goals established  
34 or adopted by the committee.

35     (b) "*Nutrient reduction credit*" means an amount of nutrient

1 reduction expressed as a unit of measurement that is calculated  
2 using research-based modeling or other methods established or  
3 adopted by the committee.

4 (c) *“Nutrient reduction exchange”* means an agreement between  
5 one or more point source or nonpoint source contributors  
6 and one or more other parties whereby nutrient reduction  
7 credits are purchased, sold, traded, or exchanged for legal  
8 consideration through a trading system approved by the  
9 department of natural resources.

10 2. Any eligible entity receiving financial assistance under  
11 the program shall enter into an agreement with the authority.  
12 The agreement shall include standard terms for the receipt of  
13 program funds and any other terms the authority deems necessary  
14 and convenient for the efficient administration of the program.

15 Sec. 11. Section 28F.1, subsection 1, Code 2017, is amended  
16 to read as follows:

17 1. **This chapter** provides a means for the joint financing  
18 by public agencies of works or facilities useful and necessary  
19 for the collection, treatment, purification, and disposal  
20 in a sanitary manner of liquid and solid waste, sewage, and  
21 industrial waste, facilities used for the conversion of solid  
22 waste to energy, facilities, improvements, or projects in a  
23 watershed useful for flood control, erosion control, or water  
24 quality restoration by a water utility, wastewater utility,  
25 or storm water utility, whether located within or without the  
26 corporate boundaries of a municipal corporation, and also  
27 electric power facilities constructed within the state of  
28 Iowa, except that hydroelectric power facilities may also be  
29 located in the waters and on the dams of or on land adjacent  
30 to either side of the Mississippi or Missouri river bordering  
31 the state of Iowa, water supply systems, swimming pools  
32 or golf courses. **This chapter** applies to the acquisition,  
33 construction, reconstruction, ownership, operation, repair,  
34 extension, or improvement of such works or facilities, by a  
35 separate administrative or legal entity created pursuant to

1 chapter 28E or [chapter 389](#). When the legal entity created  
2 under [this chapter](#) is comprised solely of cities, counties,  
3 and sanitary districts established under [chapter 358](#), or any  
4 combination thereof or any combination of the foregoing with  
5 other public agencies, the entity shall be both a corporation  
6 and a political subdivision with the name under which it was  
7 organized. The legal entity may sue and be sued, contract,  
8 acquire and hold real and personal property necessary for  
9 corporate purposes, adopt a corporate seal and alter the seal  
10 at pleasure, and execute all the powers conferred in this  
11 chapter. This section shall not be construed or interpreted to  
12 create or expand the authority to acquire real property through  
13 the use of eminent domain.

14 Sec. 12. Section 161A.7, subsection 1, paragraph d, Code  
15 2017, is amended to read as follows:

16 *d.* To cooperate, or enter into agreements with, and within  
17 the limits of appropriations duly made available to it by law,  
18 to furnish financial or other aid to any agency, governmental  
19 or otherwise, or any owner or occupier of lands within the  
20 district, in the carrying on of erosion-control and watershed  
21 protection and flood prevention operations, or in the carrying  
22 out of projects pursuant to paragraph "g", within the district,  
23 subject to such conditions as the commissioners may deem  
24 necessary to advance the purposes of [this chapter](#).

25 Sec. 13. Section 161A.7, subsection 1, Code 2017, is amended  
26 by adding the following new paragraphs:

27 NEW PARAGRAPH. *p.* To apply for financial assistance under  
28 the water quality project financial assistance program under  
29 sections 16.201 through 16.206.

30 NEW PARAGRAPH. *q.* To carry out soil erosion control,  
31 watershed protection or improvement, flood prevention, and  
32 water quality protection projects and operations within the  
33 district, including but not limited to projects and operations  
34 to support water protection practices, to protect this  
35 state's groundwater and surface water from point and nonpoint

1 sources of pollution, including but not limited to pollution  
2 by agricultural drainage wells, sinkholes, sedimentation,  
3 or chemical pollutants, to reduce or remove nutrients and  
4 pollution in or from surface water and groundwater, to reduce  
5 or eliminate nutrient loads to surface water and groundwater  
6 from both point and nonpoint sources, to maintain, protect,  
7 and improve the quality of surface water and groundwater, and  
8 to achieve or further any of the goals and targets described  
9 in the Iowa nutrient reduction strategy as defined in section  
10 16.201.

11 Sec. 14. Section 161C.1, Code 2017, is amended by adding the  
12 following new subsection:

13 NEW SUBSECTION. 4A. "*Financing entity*" means the same as  
14 defined in section 16.201.

15 Sec. 15. Section 161C.2, subsection 1, paragraph a, Code  
16 2017, is amended to read as follows:

17 a. Each soil and water conservation district, alone and  
18 whenever practical in conjunction with other districts, shall  
19 financing entities, or political subdivisions of the state,  
20 or other local agencies, may carry out district-wide and  
21 multiple-district projects to support soil erosion control,  
22 water resource restoration projects, watershed protection,  
23 flood prevention, and water quality protection practices,  
24 projects, and operations in the district or districts,  
25 including but not limited to projects carried out in order to  
26 protect this state's groundwater and surface water from point  
27 and nonpoint sources of ~~contamination~~ pollution, including but  
28 not limited to ~~contamination~~ pollution by agricultural drainage  
29 wells, sinkholes, sedimentation, or chemical pollutants, as  
30 described in the Iowa nutrient reduction strategy as defined  
31 in section 16.201.

32 Sec. 16. Section 161C.3, Code 2017, is amended to read as  
33 follows:

34 **161C.3 Cooperation with other agencies.**

35 Soil and water conservation districts may enter into

1 agreements with the United States, as provided by state law,  
2 or with the state of Iowa or any agency of the state, any  
3 other soil and water conservation district, or other political  
4 subdivision of this state, or any financing entity, or other  
5 local agency, for cooperation in preventing, controlling, or  
6 attempting to prevent or control ~~contamination~~ pollution of  
7 groundwater or surface water by point and nonpoint sources  
8 of pollution. Soil and water conservation districts may  
9 accept, as provided by state law, any money disbursed for water  
10 quality preservation purposes by the federal government or any  
11 agency of the federal government, and expend the money for the  
12 purposes for which it was received.

13 Sec. 17. Section 161E.1, Code 2017, is amended to read as  
14 follows:

15 **161E.1 Authority of board.**

16 1. If a county, soil and water conservation district,  
17 subdistrict of a soil and water conservation district,  
18 financing entity, or political subdivision of the state, or  
19 other local agency engages or participates in or carries out  
20 a project for flood or soil erosion control, a water resource  
21 restoration project, watershed protection or improvement  
22 project, flood prevention, water quality protection project or  
23 operation, including but not limited to a project or operation  
24 described in the Iowa nutrient reduction strategy as defined  
25 in section 16.201, within a county, or engages or participates  
26 in the conservation, development, utilization, and disposal  
27 of water, in cooperation with the federal government, or a  
28 department or agency of the federal government, in cooperation  
29 with other districts, subdistricts, financing entities,  
30 political subdivisions, or other local agencies, the counties  
31 in which the project is carried on may, through the board of  
32 supervisors or through an intergovernmental agreement under  
33 chapter 28E or chapter 28F, construct, operate, and maintain  
34 the project on lands under the control or jurisdiction of the  
35 county dedicated to county use, or furnish financial and other

1 assistance in connection with the projects or operations.  
2 Flood control, soil erosion control, watershed protection  
3 projects, flood prevention, water quality improvement projects,  
4 water resource restoration projects, and watershed improvement  
5 projects and operations, including but not limited to projects  
6 or operations described in the Iowa nutrient reduction strategy  
7 as defined in section 16.201, are presumed to be for the  
8 protection of the tax base of the county, for the protection of  
9 public roads and lands, and for the protection of the public  
10 health, sanitation, safety, and general welfare.

11 2. For purposes of this chapter, "financing entity" means  
12 the same as defined in section 16.201.

13 Sec. 18. Section 161E.2, Code 2017, is amended to read as  
14 follows:

15 **161E.2 Federal aid.**

16 A county may, in accordance with [this chapter](#), accept  
17 federal funds for aid in a project for flood or soil erosion  
18 control, flood prevention, or the conservation, development,  
19 utilization, and disposal of water, and may cooperate with  
20 the federal government or a department or agency of the  
21 federal government, a soil and water conservation district,  
22 subdistrict of a soil and water conservation district,  
23 political subdivision of the state, or other local agency, or  
24 a financing entity, and the county may assume a proportion of  
25 the cost of the project as deemed appropriate, and may assume  
26 the maintenance cost of the project on lands under the control  
27 or jurisdiction of the county which will not be discharged by  
28 federal aid or grant.

29 Sec. 19. Section 161E.3, Code 2017, is amended to read as  
30 follows:

31 **161E.3 Cooperation.**

32 The counties, soil and water conservation districts,  
33 and subdistricts of soil and water conservation districts  
34 concerned, shall advise and consult with each other, upon the  
35 request of any of them or any affected landowners, and may

1 cooperate with each other or with other state subdivisions or  
2 instrumentalities, and affected landowners, as well as with the  
3 federal government or a department or agency of the federal  
4 government, or a financing entity or other local agency, to  
5 construct, operate, and maintain suitable projects for flood  
6 or soil erosion control, water resource restoration projects,  
7 watershed protection or improvement projects, flood prevention,  
8 water quality protection or improvement projects, or the  
9 conservation, development, utilization, and disposal of water  
10 on public roads or other public lands or other land granted  
11 county use.

12 Sec. 20. Section 161E.5, Code 2017, is amended to read as  
13 follows:

14 **161E.5 Maintenance cost.**

15 If construction of projects has been completed by the soil  
16 and water conservation district, subdistricts of soil and  
17 water conservation districts, political subdivisions of the  
18 state, or other local agencies, or the federal government, or a  
19 department or agency of the federal government, or a financing  
20 entity on private lands under the easement granted to the  
21 county, only the cost of maintenance may be assumed by the  
22 county.

23 Sec. 21. Section 161E.9, Code 2017, is amended to read as  
24 follows:

25 **161E.9 Tax levy.**

26 The county board of supervisors may annually levy a tax not  
27 to exceed six and three-fourths cents per thousand dollars of  
28 assessed value of all agricultural lands in the county, to  
29 be used for flood and soil erosion control, water resource  
30 restoration projects, watershed protection or improvement  
31 projects, flood prevention and water quality protection  
32 projects and operations within a county, including but not  
33 limited to projects or operations described in the Iowa  
34 nutrient reduction strategy as defined in section 16.201, and  
35 including acquisition of land or interests in land, and repair,

1 alteration, maintenance, and operation of works of improvement  
2 on lands under the control or jurisdiction of the county as  
3 provided in this chapter, or to furnish financial assistance in  
4 connection with such projects and operations.

5 Sec. 22. Section 161E.10, Code 2017, is amended to read as  
6 follows:

7 **161E.10 Assumption of obligations.**

8 This chapter contemplates that actual direction of the  
9 project, or projects, and the actual work done in connection  
10 with ~~them~~ the projects, will be assumed by the soil and water  
11 conservation district, a subdistrict of a soil and water  
12 conservation district, or the federal government, and that the  
13 county or other state subdivisions or instrumentalities or  
14 financing entities jointly will meet the obligation required  
15 for federal cooperation and may make proper commitment for  
16 the care and maintenance of the project after its completion  
17 for the general welfare of the public and residents of the  
18 respective counties.

19 Sec. 23. Section 161F.1, Code 2017, is amended to read as  
20 follows:

21 **161F.1 Presumption of benefit — definitions.**

22 1. The conservation of the soil resources of the state  
23 of Iowa, the improvement of water quality through projects,  
24 the proper control of water resources of the state and the  
25 prevention of damage to property and lands through the control  
26 of floods, the drainage of surface waters or the protection of  
27 lands from overflow shall be presumed to be a public benefit  
28 and conducive to the public health, convenience and welfare and  
29 essential to the economic well-being of the state.

30 2. For purposes of this chapter, "financing entity" and  
31 "project" both mean the same as defined in section 16.201.

32 Sec. 24. Section 161F.2, Code 2017, is amended to read as  
33 follows:

34 **161F.2 Board of supervisors to establish districts — strip**  
35 **coal mining.**



1     1. The board of supervisors of any county shall have  
2 jurisdiction, power and authority at any regular, special or  
3 adjourned session to establish, subject to the provisions  
4 of this chapter, districts having for their purpose soil  
5 conservation and the control of flood waters, or the  
6 improvement of water quality, and to cause to be constructed  
7 as hereinafter provided, such improvements, projects, and  
8 facilities as shall be deemed essential for the accomplishment  
9 of the purpose of soil conservation and flood control, or of  
10 water quality improvement.

11     ~~Such~~ 2. The board of supervisors shall also have  
12 jurisdiction, power, and authority at any regular, special,  
13 or adjourned session to establish, in the same manner that  
14 the districts ~~hereinabove referred to~~ in subsection 1  
15 are established, districts having for their purpose soil  
16 conservation in mining areas within the county, and provide  
17 that anyone engaged in removing the surface soil over any  
18 bed or strata of coal in such district for the purpose of  
19 obtaining ~~such~~ coal shall replace the surface soil as nearly  
20 as practicable to its original position, and provide that,  
21 upon abandonment of such removal operation, all surface soil  
22 shall be so replaced. This section subsection shall apply only  
23 to surface soil so removed after July 4, 1949, and then only  
24 if it is essential for the accomplishment of the purpose of  
25 soil conservation and flood control within the purview of this  
26 chapter.

27     Sec. 25. Section 161F.3, Code 2017, is amended to read as  
28 follows:

29     **161F.3 Combination of functions.**

30     Such districts shall have the power to combine in their  
31 functions activities affecting soil conservation, flood control  
32 and drainage, water quality improvement, or any of these  
33 objects, singly or in combination with another district or  
34 financing entity under the provisions of an intergovernmental  
35 agreement pursuant to chapter 28E or 28F.

1     Sec. 26. Section 161F.6, subsection 1, Code 2017, is amended  
2 to read as follows:

3     1. In the organization, operation, and financing of  
4 districts established under [this chapter](#), the provisions of  
5 chapter 468 shall apply and any procedure provided under  
6 chapter 468 in connection with the organization, financing,  
7 and operation of any drainage district shall apply to the  
8 organization, financing, and operation of districts organized  
9 under [this chapter](#). However, a district established under this  
10 chapter shall not be considered a drainage district established  
11 pursuant to chapter 468.

12     Sec. 27. Section 384.80, subsection 15, Code 2017, is  
13 amended to read as follows:

14     15. *"Water resource restoration project"* means the  
15 acquisition of real property or improvements, a project as  
16 defined in section 16.201, or any other activity or undertaking  
17 that will assist in improving flood control, erosion control,  
18 or the quality of the water in the watershed where a city  
19 water, storm water, or wastewater utility is located.

20     Sec. 28. Section 384.84, subsection 2, Code 2017, is amended  
21 to read as follows:

22     2. The governing body of a city water or wastewater utility  
23 may enter into an agreement with a qualified entity to use  
24 proceeds from revenue bonds for a water resource restoration  
25 project if the rate imposed is no greater than if there was not  
26 a water resource restoration project agreement. For purposes  
27 of [this subsection](#), *"qualified entity"* is an entity created  
28 pursuant to [chapter 28E](#) or chapter 28F or two entities that  
29 have entered into an agreement pursuant to [chapter 28E](#) or  
30 chapter 28F, whose purpose is to undertake a watershed project  
31 that has been approved for water quality improvements in the  
32 watershed.

33     Sec. 29. Section 422.7, subsection 2, Code 2017, is amended  
34 by adding the following new paragraph:

35     NEW PARAGRAPH. *Oh.* Iowa finance authority water quality

1 project financial assistance program bonds or notes pursuant to  
2 section 16.202, subsection 5.

3 Sec. 30. Section 423.3, Code 2017, is amended by adding the  
4 following new subsection:

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

8 *b.* For purposes of this subsection:

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

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

14 Sec. 31. NEW SECTION. 423G.1 **Short title.**

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

16 Sec. 32. NEW SECTION. 423G.2 **Definitions.**

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

20 2. As used in this chapter, "*water service*" and "*water*  
21 *utility*" mean the same as defined in section 423.3, subsection  
22 103.

23 Sec. 33. NEW SECTION. 423G.3 **Water service tax.**

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

27 Sec. 34. NEW SECTION. 423G.4 **Exemptions.**

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

31 Sec. 35. NEW SECTION. 423G.5 **Administration by director.**

32 1. The director of revenue shall administer the state  
33 water service tax as nearly as possible in conjunction with  
34 the administration of the state sales and use tax law, except  
35 that portion of the law that implements the streamlined sales

1 and use tax agreement. The director shall provide appropriate  
2 forms, or provide on the regular state tax forms, for reporting  
3 state water service tax liability.

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

10 3. Section 422.25, subsection 4, sections 422.30, 422.67,  
11 and 422.68, section 422.69, subsection 1, sections 422.70,  
12 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
13 1, and sections 423.23, 423.24, 423.25, 423.31 through  
14 423.35, 423.37 through 423.42, and 423.47, consistent with the  
15 provisions of this chapter, shall apply with respect to the tax  
16 authorized under this chapter in the same manner and with the  
17 same effect as if the excise taxes on the sale or furnishing of  
18 a water service were retail sales taxes within the meaning of  
19 those statutes. Notwithstanding this subsection, the director  
20 shall provide for quarterly filing of returns and for other  
21 than quarterly filing of returns both as prescribed in section  
22 423.31. All taxes collected under this chapter by a retailer  
23 or any user are deemed to be held in trust for the state of  
24 Iowa.

25 Sec. 36. NEW SECTION. **423G.6 Deposit of revenues.**

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

28 2. Subsequent to the deposit in the general fund of the  
29 state, the department shall transfer the following amounts of  
30 revenues collected to the water quality financial assistance  
31 fund created in section 16.198:

32 a. For revenues collected on or after July 1, 2017, but  
33 before August 1, 2018, one-sixth of the revenues.

34 b. For revenues collected on or after August 1, 2018, but  
35 before August 1, 2019, one-third of the revenues.

1 c. For revenues collected on or after August 1, 2019, but  
2 before August 1, 2020, one-half of the revenues.

3 d. For revenues collected on or after August 1, 2020, but  
4 before August 1, 2021, two-thirds of the revenues.

5 e. For revenues collected on or after August 1, 2021, but  
6 before August 1, 2022, five-sixths of the revenues.

7 f. For revenues collected on or after August 1, 2022, one  
8 hundred percent of the revenues.

9 Sec. 37. NEW SECTION. 423G.7 Future repeal.

10 This chapter is repealed on the date on which all bonds,  
11 notes, or other debt instruments issued on or before June  
12 30, 2042, pursuant to section 16.202, are fully paid. The  
13 executive director of the Iowa finance authority shall notify  
14 the Iowa Code editor upon the occurrence of this condition.

15 Sec. 38. Section 455B.171, subsection 19, Code 2017, is  
16 amended to read as follows:

17 19. "Point source" means any discernible, confined, and  
18 discrete conveyance, including but not limited to any pipe,  
19 ditch, channel, tunnel, conduit, well, discrete fissure,  
20 container, rolling stock, concentrated animal feeding  
21 operation, or vessel or other floating craft, from which  
22 pollutants are or may be discharged. "Point source" does not  
23 include agricultural storm water discharges and return flows  
24 from irrigated agriculture.

25 Sec. 39. Section 455B.176A, subsection 1, Code 2017, is  
26 amended by adding the following new paragraphs:

27 NEW PARAGRAPH. 0d. "Iowa nutrient reduction strategy" means  
28 the same as defined in section 16.201.

29 NEW PARAGRAPH. 00d. "Nutrient" means total nitrogen and  
30 total phosphorus.

31 Sec. 40. Section 455B.176A, subsection 5, Code 2017, is  
32 amended to read as follows:

33 5. a. The commission shall adopt rules designating water  
34 quality standards which shall be specific to each designated  
35 use adopted pursuant to subsection 4. The standards shall take

1 into account the different characteristics of each designated  
2 use and shall provide for only the appropriate level of  
3 protection based upon that particular use. The standards shall  
4 not be identical for each designated use unless required for  
5 the appropriate level of protection. The appropriate level of  
6 protection and standards shall be determined on a scientific  
7 basis.

8 b. In the development process for the water quality  
9 standards, input shall be received from a water quality  
10 standards advisory committee convened by the department. The  
11 water quality standards advisory committee shall be comprised  
12 of experts in the scientific fields relating to water quality,  
13 such as environmental engineering, aquatic toxicology,  
14 fisheries biology, and other life sciences and experts in  
15 the development of the appropriate levels of aquatic life  
16 protection and standards. The water quality standards shall be  
17 reviewed and revised by the department as new scientific data  
18 becomes available to support revision.

19 c. The department shall provide support to the department of  
20 agriculture and land stewardship in their efforts to implement  
21 their responsibilities under the Iowa nutrient reduction  
22 strategy.

23 Sec. 41. Section 466B.3, subsection 3, paragraph c, Code  
24 2017, is amended to read as follows:

25 c. Whether the funds, programs, and regulatory efforts  
26 coordinated by the council eventually result in a long-term  
27 improvement to the quality of surface water in Iowa. To  
28 evaluate the progress achieved over time toward the goals of  
29 the Iowa nutrient reduction strategy, as defined in section  
30 455B.176A, and the United States environmental protection  
31 agency gulf hypoxia action plan, the baseline condition shall  
32 be calculated for the time period from 1980 to 1996.

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

35 **466B.42 Water quality initiative.**

1 The division shall establish a water quality initiative  
2 in order to assess and reduce nutrients in this state's  
3 watersheds, including subwatersheds, and regional watersheds,  
4 and for implementing its responsibilities under the Iowa  
5 nutrient reduction strategy as defined in section 455B.176A.  
6 The division shall establish and administer projects to  
7 reduce nutrients in surface waters from nonpoint sources in  
8 a scientific, reasonable, and cost-effective manner. The  
9 division shall utilize a pragmatic, strategic, and coordinated  
10 approach with the goal of accomplishing reductions over time.  
11 To evaluate the progress achieved over time toward the goals  
12 of the Iowa nutrient reduction strategy and the United States  
13 environmental protection agency gulf hypoxia action plan, the  
14 baseline condition shall be calculated for the time period from  
15 1980 to 1996.

16 Sec. 43. NEW SECTION. **466B.43 Water quality agriculture**  
17 **infrastructure programs.**

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

22 2. a. The purpose of the programs is to support projects  
23 for the installation of infrastructure, including conservation  
24 structures, practices, or other measures that reduce  
25 contributing nutrient loads, associated sediment, or pollutants  
26 from point and nonpoint sources to surface waters. The  
27 programs shall be administered in a manner that is consistent  
28 with the Iowa nutrient reduction strategy, as defined in  
29 section 16.201.

30 b. In making awards of financial assistance under the  
31 programs, the division shall attempt to complement the purposes  
32 of the water quality project financial assistance program  
33 under sections 16.201 through 16.206 and the water quality  
34 protection and wastewater treatment grant program under section  
35 16.140. Preference shall be given to landowners that are

1 part of a financing entity participating in the water quality  
2 project financial assistance program and to landowners that are  
3 participating in the water quality protection and wastewater  
4 treatment grant program. The division, the Iowa finance  
5 authority, landowners, and financing entities shall, when  
6 possible, coordinate financing between the programs created in  
7 this section, the water quality project financial assistance  
8 program, and the water quality protection and wastewater  
9 treatment grant program, in order to promote the most effective  
10 use of resources.

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

20 4. An in-field infrastructure program is created. The  
21 program shall support projects located on agricultural land,  
22 which may include demonstration projects, that decrease erosion  
23 and precipitation-induced surface runoff, increase water  
24 infiltration rates, and increase soil sustainability. The  
25 program's projects shall be limited to infrastructure designed  
26 and installed for use over multiple years, including but not  
27 limited to structures, terraces, and waterways located on  
28 cropland or pastureland, and including but not limited to soil  
29 conservation or erosion control structures, managed drainage  
30 systems, or edge-of-stream buffers. The program shall be  
31 financed on a cost-share basis.

32 5. Any state moneys used to finance a project under  
33 a water quality agriculture infrastructure program shall  
34 be administered according to an agreement entered into by  
35 the division and either the owner of the land where the



1 infrastructure is to be installed or a financing entity  
2 participating in the water quality project financial assistance  
3 program under sections 16.201 through 16.206. The agreement  
4 shall include standard terms and conditions for the receipt of  
5 program moneys and any other terms and conditions the division  
6 deems necessary or convenient for the efficient administration  
7 of the project or program. The division may support multiple  
8 installations of infrastructure on a single parcel of land.  
9 The division may also combine programs if cost effective.  
10 The division may annually use an amount of not more than  
11 four percent of the moneys used to support each program for  
12 administrative purposes.

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

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

21 Sec. 44. LEGISLATIVE INTENT. It is the intent of the  
22 general assembly that the amendment in this Act to the  
23 definition of "point source" in section 455B.171, subsection  
24 19, is a conforming amendment consistent with current state  
25 and federal law, and that the amendment does not change the  
26 application of current law but instead reflects current law  
27 both before and after the enactment of this Act.

28 Sec. 45. RETROACTIVE APPLICABILITY. The following  
29 provision or provisions of this Act apply retroactively to  
30 January 1, 2017, for tax years beginning on or after that date:

31 1. The section of this Act enacting section 422.7,  
32 subsection 2, paragraph "0h".

33

EXPLANATION

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

1 This bill relates to water quality by establishing new water  
2 quality programs, providing for appropriations from the rebuild  
3 Iowa infrastructure fund and making other appropriations and  
4 changes related to water quality, and creating a state water  
5 service excise tax and a related sales tax exemption.

6 REBUILD IOWA INFRASTRUCTURE FUND APPROPRIATIONS FOR WATER  
7 QUALITY AGRICULTURE INFRASTRUCTURE PROGRAMS.

8 RIIF appropriations — The bill provides for a total of  
9 \$232 million of appropriations over 13 fiscal years from the  
10 rebuild Iowa infrastructure fund in Code section 8.57 to a  
11 water quality infrastructure fund created in the bill (Code  
12 section 8.57B) to be used by the division of soil conservation  
13 and water quality of the department of agriculture and land  
14 stewardship (soil and water division) in administering two new  
15 water quality agriculture infrastructure programs, described  
16 below. The appropriations shall be as follows: \$5 million for  
17 fiscal year 2017-2018; \$6.5 million for fiscal year 2018-2019;  
18 \$11.5 million for fiscal year 2019-2020; \$16.5 million per  
19 fiscal year for the two-year fiscal period beginning July 1,  
20 2020, and ending June 30, 2022; and \$22 million per fiscal year  
21 for the eight-year fiscal period beginning July 1, 2022, and  
22 ending June 30, 2030. The water quality infrastructure fund  
23 is repealed on the date that all moneys transferred to the  
24 fund from the rebuild Iowa infrastructure fund as provided in  
25 the bill, including any interest or earnings on such moneys  
26 credited to the fund, are expended by the soil and water  
27 division, and the balance of the fund is zero.

28 Water quality agriculture infrastructure programs — As  
29 part of the existing water quality initiative of the soil and  
30 water division in Code section 466B.42, the bill establishes  
31 two water quality agriculture infrastructure programs (Code  
32 section 466B.43), consisting of an edge-of-field infrastructure  
33 program and an in-field infrastructure program, that will  
34 provide financing on a cost-share basis to certain agriculture  
35 infrastructure projects, including demonstration projects.

1 The edge-of-field program will support projects that capture  
2 or filter nutrients entering into surface water. The bill  
3 includes wetlands, bioreactor systems, saturated buffers,  
4 edge-of-field buffers, and land use changes as examples  
5 of projects that may qualify. The in-field infrastructure  
6 program will support projects that decrease erosion and  
7 precipitation-induced surface runoff, increase water  
8 infiltration rates, and increase soil sustainability. The bill  
9 includes structures, terraces, waterways located on cropland  
10 or pastureland, and soil conservation or erosion control  
11 structures or managed drainage systems, and edge-of-field  
12 buffers as examples of projects that may qualify.

13 The bill provides for the purpose of the programs and  
14 requires that the programs be administered in a manner that  
15 is consistent with the Iowa nutrient reduction strategy, as  
16 defined in the bill. Both programs are to be administered  
17 in a way that coordinates with, and attempts to complement  
18 the purposes of, the water quality project financial  
19 assistance program and the water quality protection and  
20 wastewater treatment grant program created in the bill  
21 and described below, and preference is to be given to  
22 landowners participating in those programs. Both water  
23 quality agriculture infrastructure programs require that  
24 projects be located on agricultural land and limit projects to  
25 infrastructure designed and installed for use over multiple  
26 years. The bill requires that the soil and water division  
27 and either landowners or financing entities participating in  
28 the water quality protection financial assistance program,  
29 described below, enter into agreements for financing projects  
30 under the programs, provides that the soil and water division  
31 may support multiple installations of infrastructure on a  
32 single parcel of land, and provides that the two programs  
33 may be combined by the soil and water division if it is cost  
34 effective to do so. The soil and water division is allowed  
35 to annually use up to 4 percent of the programs' moneys for

1 administrative purposes. Beginning in 2018, the soil and  
2 water division is required to submit a report by October 1 of  
3 each year to the general assembly and the governor detailing  
4 expenditures for the previous fiscal year under the programs  
5 by hydrologic unit code 8 watershed. The bill provides that  
6 certain information related to agricultural land and obtained  
7 by the soil and water division under the programs shall be  
8 considered a confidential record under Code section 22.7.

9 WATER SERVICE EXCISE TAX FOR CERTAIN WATER QUALITY PROGRAMS.

10 Water service excise tax and related sales tax exemption —  
11 The bill exempts from the state sales tax the sales price from  
12 the sale or furnishing by a water utility of a water service in  
13 the state to consumers or users. "Water service" and "water  
14 utility" are defined in the bill.

15 By operation of Code section 423.6, an item exempt from the  
16 imposition of the sales tax is also exempt from the use tax  
17 imposed in Code section 423.5.

18 The bill creates a state excise tax at the rate of 6 percent  
19 on the sales price from the sale or furnishing by a water  
20 utility of a water service in the state to consumers or users  
21 (Code chapter 423G). The director of revenue is required  
22 to administer the water service tax as nearly as possible  
23 in conjunction with the administration of the state sales  
24 and use tax laws, and, to that end, the bill incorporates by  
25 reference numerous Code sections that relate to general tax  
26 administration and the sales and use tax laws.

27 State water service tax revenues are deposited in the  
28 general fund of the state. The bill requires an increasing  
29 portion of the state water service tax revenues collected each  
30 year to be transferred to a water quality financial assistance  
31 fund created in the bill (Code section 16.198) to support  
32 various water quality programs, described below. Transfers to  
33 the water quality financial assistance fund equal one-sixth of  
34 the water service tax revenues collected on or after July 1,  
35 2017, but before August 1, 2018, and increases to one-third,

1 one-half, two-thirds, and five-sixths over the next four years.  
2 All water service tax revenues collected on or after August  
3 1, 2022, will be transferred to the water quality financial  
4 assistance fund.

5 The state and local water service tax is repealed on the date  
6 on which all bonds, notes, or other debt instruments issued by  
7 the Iowa finance authority (IFA) on or before June 30, 2042,  
8 under the water quality project financial assistance program,  
9 described below, are fully paid.

10 Water service tax revenues transferred to the water quality  
11 financial assistance fund are then appropriated from the  
12 fund as follows: one-sixth of the moneys in the fund is  
13 appropriated to IFA to support the water quality protection and  
14 wastewater treatment grant program created in the bill (Code  
15 section 16.140), and five-sixths of the moneys in the fund  
16 is appropriated to IFA to support the water quality project  
17 financial assistance program created in the bill (Code sections  
18 16.201 through 16.206).

19 Water quality protection and wastewater treatment grant  
20 program (Code section 16.140) — This program, administered by  
21 IFA, provides financial assistance in the form of grants to  
22 municipalities and eligible entities for projects or activities  
23 that enhance water quality, upgrade water and wastewater  
24 infrastructure, or implement the nutrient reduction strategy.  
25 "Municipality", "eligible entity", and other related terms are  
26 defined in the bill. The bill describes the types of projects  
27 or activities that qualify for grants under the program.  
28 The program gives priority in awarding grants to projects  
29 or activities that provide improvement to water quality in  
30 the relevant watershed, and that also have private financing  
31 or certain other state or federal financing as described in  
32 the bill. Grants shall not exceed \$500,000 per recipient.  
33 The program requires IFA to submit a report by October 1 of  
34 each year to the governor and the general assembly detailing  
35 expenditures for the previous year under the program, and

1 creates a program review committee consisting of eight members,  
2 as provided in the bill, to review the effectiveness of the  
3 program every 10 years, beginning in 2027.

4 Water quality project financial assistance program (Code  
5 sections 16.201 through 16.206) — This program provides  
6 financial assistance to eligible entities that engage in a  
7 project designed to improve water quality or water resource  
8 management for the purpose of enhancing the quality of surface  
9 water and groundwater. "Eligible entity", "project", and  
10 other related terms are defined in the bill. The program  
11 is administered by IFA in cooperation with the department of  
12 natural resources (DNR) and the department of agriculture  
13 and land stewardship (IDALS). The program allows IFA to  
14 provide financial assistance in the form it deems most  
15 convenient, including loans, forgivable loans, and grants,  
16 but requires that the program be a permanent source of water  
17 quality financial assistance. The program allows financing  
18 entities, as defined in the bill, to apply to IFA for financial  
19 assistance and submit project plans that substantially improve  
20 water quality in the local area or watershed, and provides  
21 certain application requirements. Preference under the program  
22 shall be given to projects that will have the greatest impact  
23 on achieving the goals set forth in the nutrient reduction  
24 strategy, and plans designed to achieve those goals shall be  
25 presumed to improve water quality. Also, plans that include a  
26 nutrient reduction exchange, as defined in the bill, between  
27 two or more members of the eligible entity will be presumed to  
28 substantially improve water quality.

29 Preference under the program is to be given to eligible  
30 entities that have project plans evaluated by the Iowa nutrient  
31 research center (Code section 466B.47), and to eligible  
32 entities that contract with the Iowa nutrient research center  
33 to verify the amount of nutrient reduction achieved by the  
34 project upon project completion.

35 The bill creates a three-member committee to review project

1 plans, review and score applications, and make financial  
2 assistance awards. The executive director of IFA, the director  
3 of DNR, and the secretary of agriculture each appoint one  
4 member to the committee. Eligible entities receiving financial  
5 assistance awards are required to enter into agreements with  
6 IFA, and IFA determines the terms of any loan and may charge  
7 fees and costs necessary for the continued operation of the  
8 program. The bill requires IFA to adopt rules relating to  
9 the proportional liability, if any, of members of an eligible  
10 entity that enter into a loan agreement under the program.

11 The bill creates a water quality project financial  
12 assistance fund administered by IFA to provide financial  
13 assistance under the program. The bill allows IFA to establish  
14 and maintain other funds and accounts necessary to carry out  
15 the purposes of the program.

16 The bill allows IFA to issue until June 30, 2042, bonds and  
17 notes for the purpose of funding the program, and the bill  
18 provides several requirements for the issuance of such bonds  
19 and notes, for loan or purchase agreements with bondholders  
20 or noteholders, for the pledging of certain funds toward the  
21 repayment of the bonds and notes, and for the establishment of  
22 reserve funds to secure the bonds and notes. The bill also  
23 includes other provisions related to the notes and bonds,  
24 including that such bonds and notes are exempt from taxation  
25 by the state.

26 MISCELLANEOUS PROVISIONS. The bill amends the powers of  
27 a soil and water conservation district under chapter 161A to  
28 include the completion of certain projects as described in the  
29 bill, and to allow a district to apply for financial assistance  
30 under the water quality project financial assistance program.

31 The bill amends provisions in Code chapter 161C governing  
32 the water protection projects and practices of a soil and water  
33 conservation district by adding to the types of projects the  
34 district may engage in and the type of entities the district  
35 may work with to complete such projects.

1 The bill amends various provisions of Code chapter 161E  
2 (flood and erosion control) to add to the types of projects a  
3 county may engage in or offer financial assistance for under  
4 that Code chapter, or to levy a property tax for under that  
5 Code chapter, and to add to the types of entities the county  
6 may work with to complete projects.

7 The bill amends provisions in Code chapter 161F (soil  
8 conservation and flood control districts) to add to the  
9 types of projects a soil conservation and flood control  
10 district established by a county may engage in under that Code  
11 chapter, and the types of entities a district may work with  
12 to complete such projects. The bill also specifies that a  
13 district established pursuant to Code chapter 161F shall not  
14 be considered a drainage district established pursuant to Code  
15 chapter 468.

16 The bill adds to the types of projects that a public agency  
17 may complete through joint financing with another public agency  
18 under Code chapter 28F (joint financing of public works and  
19 facilities), and further specifies that the powers enumerated  
20 in Code section 28F.1 shall not be construed or interpreted to  
21 create or expand the authority to acquire real property through  
22 the use of eminent domain.

23 The bill amends provisions governing certain projects  
24 completed and financed by a city under Code chapter 384 (city  
25 finance). The bill adds to the types of projects specified  
26 that meet the definition of a "water resource restoration  
27 project", which is a type of project a city may engage in  
28 and issue revenue bonds or pledge orders for. The bill also  
29 amends the definition of "qualified entity" to include entities  
30 created under Code chapter 28F (joint financing of public  
31 works and facilities). Under current law, a city may enter  
32 into agreements with a qualified entity relating to the use of  
33 revenue bond proceeds for a water resource restoration project.

34 The bill amends the definition of "point source" in Code  
35 section 455B.171, which contains definitions for terms used in



1 provisions of the Code that concern the jurisdiction of DNR  
2 related to water quality, to exclude agricultural storm water  
3 discharges and return flows from irrigated agriculture. The  
4 bill provides that it is the legislative intent of the general  
5 assembly that this amendment to the definition of "point  
6 source" is a conforming amendment consistent with current state  
7 and federal law, and that the amendment does not change the  
8 application of current law but instead reflects current law  
9 both before and after the enactment of the bill.

10 The bill amends Code section 455B.176A, relating to water  
11 quality standards created by DNR and the environmental  
12 protection commission, to define "Iowa nutrient reduction  
13 strategy" and "nutrient", and to provide that DNR shall provide  
14 support to IDALS in efforts to implement the Iowa nutrient  
15 reduction strategy.

16 The bill amends Code section 466B.3, relating to the water  
17 resources coordinating council, to provide that when the  
18 council is measuring the success of its efforts, progress under  
19 the Iowa nutrient reduction strategy and the United States  
20 environmental protection agency gulf hypoxia action plan shall  
21 be evaluated using a baseline condition calculated for the time  
22 period between 1980 and 1996.

23 The bill amends Code section 466B.42, relating to the water  
24 quality initiative of the soil and water division, to provide  
25 that the goal of the water quality initiative is to implement  
26 the soil and water division's responsibilities under the Iowa  
27 nutrient reduction strategy, and to provide that progress under  
28 the Iowa nutrient reduction strategy and the United States  
29 environmental protection agency gulf hypoxia action plan shall  
30 be evaluated using a baseline condition calculated for the time  
31 period between 1980 and 1996.

32 Finally, the bill adds the IFA water quality project  
33 financial assistance program bonds and notes authorized in  
34 the bill under new Code section 16.202 to the list of bonds  
35 and notes the income from which is exempt from the individual

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1 income tax under Code section 422.7 (computation of net  
2 income). This provision of the bill applies retroactively to  
3 January 1, 2017, for tax years beginning on or after that date.