

House Study Bill 135 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
AGRICULTURE BILL BY
CHAIRPERSON HEIN)

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 improvements to
16 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 for
12 providing potable water to residents served by a water system,
13 including the acquisition of real property needed for such
14 purposes, and such other purposes and programs as may be
15 authorized under the Safe Drinking Water Act.

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

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

34 *b.* Notwithstanding section 8.33, moneys in the fund
35 that remain unencumbered or unobligated at the close of a

1 fiscal year shall not revert but shall remain available for
2 expenditure for the purposes designated. Notwithstanding
3 section 12C.7, subsection 2, interest or earnings on moneys in
4 the fund shall be credited to the fund.

5 4. Grants may be awarded under the program for any of the
6 following:

7 a. To a municipality or an eligible entity participating in
8 a nutrient reduction exchange, for the purpose of purchasing
9 nutrient reduction credits or for implementing water quality
10 practices as described in the Iowa nutrient reduction strategy
11 in order to comply with technology-based effluent nutrient
12 limits at a facility. For purposes of this paragraph, "*nutrient*
13 *reduction credit*" and "*nutrient reduction exchange*" both mean the
14 same as defined in section 16.206, section 1, paragraph "d".

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

20 c. To a municipality for a source water protection project.

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

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

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

33 7. Grants awarded under the program shall not exceed five
34 hundred thousand dollars per recipient.

35 8. By October 1 of each year, the authority shall submit

1 a report to the governor and the general assembly itemizing
2 expenditures under the program during the previous fiscal year.

3 9. a. Beginning September 1, 2027, and every ten years
4 thereafter, a program review committee is established for
5 purposes of reviewing the program. By December 1 of the
6 same year, the review committee shall file a report with
7 the governor and the general assembly that reviews the
8 effectiveness of the program during the previous ten fiscal
9 years.

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

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

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

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

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

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

30 c. Staffing services shall be provided by the authority.

31 Sec. 4. NEW SECTION. 16.198 Water quality financial
32 assistance fund.

33 1. A water quality financial assistance fund is created in
34 the state treasury.

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

1 a. (1) Moneys transferred to the fund pursuant to section
2 423G.6.

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

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

8 3. For each fiscal year in the period beginning July 1,
9 2017, and ending when chapter 423G is repealed pursuant to
10 section 423G.7, there is appropriated the following amounts of
11 the balance of the fund for the following purposes:

12 a. One-sixth of the balance of the fund to the Iowa finance
13 authority to be credited to the water quality protection and
14 wastewater treatment grant fund created pursuant to section
15 16.140, subsection 3.

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

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

22 Sec. 5. NEW SECTION. 16.201 Definitions.

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

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

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

28 3. "Financing entity" means two or more persons that have
29 entered into an agreement for purposes of joint financing of a
30 project under the program. A financing entity may include but
31 is not limited to a governmental body such as a state agency or
32 a political subdivision of the state, a city or a city utility,
33 a public utility as defined in section 476.1 that furnishes
34 drinking water, sanitary sewage, or storm water services to the
35 public for compensation, a county, a rural water district or

1 association, a soil and water conservation district, a sanitary
2 district, a subdistrict of any of the foregoing districts, a
3 governmental body or corporation empowered to provide sewage
4 collection and treatment services or drinking water, an entity
5 jointly exercising governmental powers pursuant to chapter 28E
6 or 28F, or any other combination of two or more public agencies
7 or private agencies as defined in section 28E.2, acting jointly
8 under Iowa law in connection with a project.

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

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

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

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

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

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

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

33 d. Other water resource restoration projects as defined in
34 section 384.80, including ones financed pursuant to section
35 28F.1.

1 e. An agricultural nonpoint source project eligible for a
2 water quality agriculture infrastructure program under section
3 466B.43.

4 8. "*Revolving fund*" means the fund created in section
5 16.204.

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

8 1. The authority shall cooperate with the department of
9 natural resources and the department of agriculture and land
10 stewardship in the creation, administration, and financing of
11 the program established in this part.

12 2. The authority may issue its bonds and notes until June
13 30, 2042, for the purposes of this part, including for the
14 purposes of funding the program established under section
15 16.205 and of funding any fund or account created under section
16 16.204.

17 3. The authority may enter into one or more loan agreements
18 or purchase agreements with one or more bondholders or
19 noteholders containing the terms and conditions of the
20 repayment of and the security for the bonds or notes. The
21 authority and the bondholders or noteholders or a trustee
22 agent designated by the authority may enter into agreements to
23 provide for any of the following:

24 a. That the proceeds of the bonds and notes and the
25 investments of the proceeds may be received, held, and
26 disbursed by the authority or by a trustee or agent designated
27 by the authority.

28 b. That the bondholders or noteholders or a trustee or
29 agent designated by the authority may collect, invest, and
30 apply the amount payable under the loan agreements or any
31 other instruments securing the debt obligations under the loan
32 agreements.

33 c. That the bondholders or noteholders may enforce the
34 remedies provided in the loan agreements or other instruments
35 on their own behalf without the appointment or designation of a

1 trustee. If there is a default in the principal of or interest
2 on the bonds or notes or in the performance of any agreement
3 contained in the loan agreements or other instruments, the
4 payment or performance may be enforced in accordance with the
5 loan agreement or other instrument.

6 *d.* Other terms and conditions as deemed necessary or
7 appropriate by the authority.

8 4. The powers granted the authority under this section
9 are in addition to other powers contained in this chapter.
10 All other provisions of this chapter, except section 16.28,
11 subsection 4, apply to bonds or notes issued and powers granted
12 to the authority under this section except to the extent they
13 are inconsistent with this section.

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

17 **Sec. 7. NEW SECTION. 16.203 Security — reserve funds —**
18 **pledges — nonliability — irrevocable contracts.**

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

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

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

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

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

33 *e.* Any other funds or accounts established by the authority
34 in connection with the program or the sale and issuance of its
35 bonds or notes.

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

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

20 4. Neither the members of the authority nor persons
21 executing the bonds or notes are liable personally on the bonds
22 or notes or are subject to personal liability or accountability
23 by reason of the issuance of the bonds or notes.

24 5. The bonds or notes issued by the authority are not
25 an indebtedness or other liability of the state or of a
26 political subdivision of the state within the meaning of
27 any constitutional or statutory debt limitations but are
28 special obligations of the authority, and are payable solely
29 from the income and receipts or other funds or property of
30 the authority, and the amounts on deposit in the revolving
31 fund, and the amounts payable to the authority under its loan
32 agreements with eligible entities to the extent that the
33 amounts are designated in the resolution, trust agreement, or
34 other instrument of the authority authorizing the issuance of
35 the bonds or notes as being available as security for such

1 bonds or notes. The authority shall not pledge the faith or
2 credit of the state or of a political subdivision of the state
3 to the payment of any bonds or notes. The issuance of any bonds
4 or notes by the authority does not directly, indirectly, or
5 contingently obligate the state or a political subdivision of
6 the state to apply moneys from, or levy or pledge any form of
7 taxation whatever to, the payment of the bonds or notes.

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

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

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

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

34 *c.* The authority shall use the moneys in the fund to provide
35 financial assistance to eligible entities under the program

1 pursuant to section 16.205.

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

4 2. The authority may establish and maintain other funds
5 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 3. 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 4. The funds or accounts held by the authority, or a trustee
14 acting on behalf of the authority pursuant to a trust agreement
15 related to the program, shall not be considered part of the
16 general fund of the state, are not subject to appropriation for
17 any other purpose by the general assembly, and in determining
18 a general fund balance shall not be included in the general
19 fund of the state, but shall remain in the funds and accounts
20 maintained by the authority or trustee pursuant to a trust
21 agreement. Funds and accounts held by the authority, or a
22 trustee acting on behalf of the authority pursuant to a trust
23 agreement related to the program, are separate dedicated funds
24 and accounts under the administration and control of the
25 authority and subject to section 16.31.

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

28 1. The authority, in cooperation with the department of
29 natural resources and the department of agriculture and land
30 stewardship, shall establish and administer a water quality
31 project financial assistance program. The purpose of the
32 program shall be to provide financial assistance to enhance
33 the quality of surface water and groundwater, particularly
34 by providing financial assistance for projects designed to
35 improve water quality through collaboration between point

1 and nonpoint sources. The authority may provide financial
2 assistance in the form deemed most convenient for the efficient
3 financing of projects, including loans, forgivable loans, and
4 grants. However, the authority shall administer the fund and
5 the program in such a manner as to provide a permanent source
6 of water quality project financial assistance to eligible
7 entities.

8 2. The program shall be administered by the authority
9 in accordance with rules adopted by the authority pursuant
10 to chapter 17A. In adopting such rules, the authority shall
11 consult with the department of natural resources and the
12 department of agriculture and land stewardship.

13 3. The authority shall process and review financial
14 assistance applications and make recommendations to the
15 committee.

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

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

32 *c.* The committee shall score applications for financial
33 assistance according to rules adopted pursuant to this part.
34 The committee shall only provide financial assistance to
35 eligible entities that have sufficient financing capacity and

1 that propose a plan likely to make progress toward achieving
2 the goals for agricultural and nonpoint sources described in
3 the Iowa nutrient reduction strategy.

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

11 6. If a drainage district is a party to a chapter 28E
12 agreement that creates a financing entity, the chapter 28E
13 agreement shall provide that the drainage district shall not
14 be required to be a signatory on any loan agreement entered
15 into under the program, and the authority shall not require
16 the drainage district to be a signatory on any loan agreement
17 entered into under the program. This subsection shall not be
18 construed to eliminate or in any way restrict any existing
19 liability protection afforded to a drainage district under any
20 provision of law.

21 7. The authority shall adopt rules relating to the
22 proportional liability, if any, of members of an eligible
23 entity when such eligible entity enters into a loan agreement
24 under the program.

25 8. The authority may charge loan recipients fees and assess
26 costs against such recipients necessary for the continued
27 operation of the program. Such fees and costs shall not exceed
28 the costs directly associated with the administration of the
29 program. Fees and costs collected pursuant to this subsection
30 shall be deposited in the appropriate fund or account created
31 in section 16.204.

32 9. Financial assistance under the program shall be used by
33 eligible entities to fund projects designed to improve water
34 quality.

35 Sec. 10. NEW SECTION. 16.206 Eligible entities — project

1 **plans — agreements required.**

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

5 a. The financing entity shall include two or more entities
6 acting jointly to propose a project plan designed to improve
7 water quality in a local area or watershed.

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

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

31 d. (1) The plan may include a nutrient reduction exchange
32 between two or more members of the financing entity. A plan
33 that includes a nutrient reduction exchange shall be presumed
34 to substantially improve water quality in the local area or
35 watershed.

1 (2) For purposes of this paragraph:

2 (a) *"Nutrient reduction"* means a reduction in nitrogen or
3 phosphorus as measured against standards or goals established
4 or adopted by the committee.

5 (b) *"Nutrient reduction credit"* means an amount of nutrient
6 reduction expressed as a unit of measurement that is calculated
7 using research-based modeling or other methods established or
8 adopted by the committee.

9 (c) *"Nutrient reduction exchange"* means an agreement between
10 one or more point source or nonpoint source contributors
11 and one or more other parties whereby nutrient reduction
12 credits are purchased, sold, traded, or exchanged for legal
13 consideration.

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

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

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

1 or golf courses. This chapter applies to the acquisition,
2 construction, reconstruction, ownership, operation, repair,
3 extension, or improvement of such works or facilities, by a
4 separate administrative or legal entity created pursuant to
5 chapter 28E or chapter 389. When the legal entity created
6 under this chapter is comprised solely of cities, counties,
7 and sanitary districts established under chapter 358, or any
8 combination thereof or any combination of the foregoing with
9 other public agencies, the entity shall be both a corporation
10 and a political subdivision with the name under which it was
11 organized. The legal entity may sue and be sued, contract,
12 acquire and hold real and personal property necessary for
13 corporate purposes, adopt a corporate seal and alter the seal
14 at pleasure, and execute all the powers conferred in this
15 chapter.

16 Sec. 12. Section 161A.7, subsection 1, paragraph d, Code
17 2017, is amended to read as follows:

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

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

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

32 NEW PARAGRAPH. q. To carry out soil erosion control,
33 watershed protection or improvement, flood prevention, and
34 water quality protection projects and operations within the
35 district, including but not limited to projects and operations

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

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

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

17 Sec. 15. Section 161C.2, subsection 1, paragraph a, Code
18 2017, is amended to read as follows:

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

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

1 **161C.3 Cooperation with other agencies.**

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

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

17 **161E.1 Authority of board.**

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

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

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

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

17 **161E.2 Federal aid.**

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

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

33 **161E.3 Cooperation.**

34 The counties, soil and water conservation districts,
35 and subdistricts of soil and water conservation districts

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

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

16 **161E.5 Maintenance cost.**

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

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

27 **161E.9 Tax levy.**

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

1 nutrient reduction strategy as defined in section 16.201, and
2 including acquisition of land or interests in land, and repair,
3 alteration, maintenance, and operation of works of improvement
4 on lands under the control or jurisdiction of the county as
5 provided in [this chapter](#), or to furnish financial assistance in
6 connection with such projects and operations.

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

9 **161E.10 Assumption of obligations.**

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

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

23 **161F.1 Presumption of benefit — definitions.**

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

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

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

1 **161F.2 Board of supervisors to establish districts — strip**
2 **coal mining.**

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

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

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

31 **161F.3 Combination of functions.**

32 Such districts shall have the power to combine in their
33 functions activities affecting soil conservation, flood control
34 and drainage, water quality improvement, or any of these
35 objects, singly or in combination with another district or

1 financing entity under the provisions of an intergovernmental
2 agreement pursuant to chapter 28E or 28F.

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

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

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

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

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

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

35 Sec. 29. Section 422.7, subsection 2, Code 2017, is amended

1 by adding the following new paragraph:

2 NEW PARAGRAPH. *Oh.* Iowa finance authority water quality
3 project financial assistance program bonds or notes pursuant to
4 section 16.202, subsection 5.

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

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

10 *b.* For purposes of this subsection:

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

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

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

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

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

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

22 2. As used in this chapter, "*water service*" and "*water*
23 *utility*" mean the same as defined in section 423.3, subsection
24 103.

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

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

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

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

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

34 1. The director of revenue shall administer the state
35 water service tax as nearly as possible in conjunction with

1 the administration of the state sales and use tax law, except
2 that portion of the law that implements the streamlined sales
3 and use tax agreement. The director shall provide appropriate
4 forms, or provide on the regular state tax forms, for reporting
5 state water service tax liability.

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

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

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

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

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

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

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

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

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

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

9 **f.** For revenues collected on or after August 1, 2022, one
10 hundred percent of the revenues.

11 Sec. 37. NEW SECTION. **423G.7 Future repeal.**

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

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

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

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

29 NEW PARAGRAPH. *0d.* "*Iowa nutrient reduction strategy*" means
30 the same as defined in section 16.201.

31 NEW PARAGRAPH. *00d.* "*Nutrient*" means total nitrogen and
32 total phosphorus.

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

35 5. a. The commission shall adopt rules designating water

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

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

21 c. The department shall provide support to the department of
22 agriculture and land stewardship in their efforts to implement
23 their responsibilities under the Iowa nutrient reduction
24 strategy. To evaluate the progress achieved over time toward
25 the goals of the Iowa nutrient reduction strategy and the
26 United States environmental protection agency gulf hypoxia
27 action plan, the baseline condition shall be calculated for the
28 time period from 1980 to 1996.

29 Sec. 41. Section 455B.195, subsection 1, paragraph i, Code
30 2017, is amended to read as follows:

31 i. If the department has obtained credible data for a
32 water of the state, the department may also use historical
33 data for that particular water of the state for the purpose
34 of determining whether any trends exist for that water of the
35 state. To evaluate the progress achieved over time toward

1 the goals of the Iowa nutrient reduction strategy, as defined
2 in section 455B.176A, and the United States environmental
3 protection agency gulf hypoxia action plan, the baseline
4 condition shall be calculated for the time period from 1980 to
5 1996.

6 Sec. 42. Section 466B.3, subsection 3, paragraph c, Code
7 2017, is amended to read as follows:

8 c. Whether the funds, programs, and regulatory efforts
9 coordinated by the council eventually result in a long-term
10 improvement to the quality of surface water in Iowa. To
11 evaluate the progress achieved over time toward the goals of
12 the Iowa nutrient reduction strategy, as defined in section
13 455B.176A, and the United States environmental protection
14 agency gulf hypoxia action plan, the baseline condition shall
15 be calculated for the time period from 1980 to 1996.

16 Sec. 43. Section 466B.42, Code 2017, is amended to read as
17 follows:

18 **466B.42 Water quality initiative.**

19 The division shall establish a water quality initiative
20 in order to assess and reduce nutrients in this state's
21 watersheds, including subwatersheds, and regional watersheds,
22 and for implementing its responsibilities under the Iowa
23 nutrient reduction strategy as defined in section 455B.176A.
24 The division shall establish and administer projects to
25 reduce nutrients in surface waters from nonpoint sources in
26 a scientific, reasonable, and cost-effective manner. The
27 division shall utilize a pragmatic, strategic, and coordinated
28 approach with the goal of accomplishing reductions over time.
29 To evaluate the progress achieved over time toward the goals
30 of the Iowa nutrient reduction strategy and the United States
31 environmental protection agency gulf hypoxia action plan, the
32 baseline condition shall be calculated for the time period from
33 1980 to 1996.

34 Sec. 44. NEW SECTION. **466B.43 Water quality agriculture**
35 **infrastructure programs.**

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

5 2. a. The purpose of the programs is to support projects
6 for the installation of infrastructure, including conservation
7 structures, practices, or other measures that reduce
8 contributing nutrient loads, associated sediment, or pollutants
9 from point and nonpoint sources to surface waters. The
10 programs shall be administered in a manner that is consistent
11 with the Iowa nutrient reduction strategy, as defined in
12 section 16.201.

13 b. In making awards of financial assistance under the
14 programs, the division shall attempt to complement the purposes
15 of the water quality project financial assistance program
16 under sections 16.201 through 16.206 and the water quality
17 protection and wastewater treatment grant program under section
18 16.140. Preference shall be given to landowners that are
19 part of a financing entity participating in the water quality
20 project financial assistance program and to landowners that are
21 participating in the water quality protection and wastewater
22 treatment grant program. The division, the Iowa finance
23 authority, landowners, and financing entities shall, when
24 possible, coordinate financing between the programs created in
25 this section, the water quality project financial assistance
26 program, and the water quality protection and wastewater
27 treatment grant program, in order to promote the most effective
28 use of resources.

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

1 edge-of-stream buffers, or land use changes. The program shall
2 be financed on a cost-share basis.

3 4. An in-field infrastructure program is created. The
4 program shall support projects located on agricultural land,
5 which may include demonstration projects, that decrease erosion
6 and precipitation-induced surface runoff, increase water
7 infiltration rates, and increase soil sustainability. The
8 program's projects shall be limited to infrastructure designed
9 and installed for use over multiple years, including but not
10 limited to structures, terraces, and waterways located on
11 cropland or pastureland, and including but not limited to soil
12 conservation or erosion control structures, managed drainage
13 systems, or edge-of-stream buffers. The program shall be
14 financed on a cost-share basis.

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

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

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

1 section 22.7.

2 Sec. 45. LEGISLATIVE INTENT. It is the intent of the
3 general assembly that the amendment in this Act to the
4 definition of "point source" in section 455B.171, subsection
5 19, is a conforming amendment consistent with current state
6 and federal law, and that the amendment does not change the
7 application of current law but instead reflects current law
8 both before and after the enactment of this Act.

9 Sec. 46. RETROACTIVE APPLICABILITY. The following
10 provision or provisions of this Act apply retroactively to
11 January 1, 2017, for tax years beginning on or after that date:

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

14 EXPLANATION

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

17 This bill relates to water quality by establishing new water
18 quality programs, providing for appropriations from the rebuild
19 Iowa infrastructure fund and making other appropriations and
20 changes related to water quality, and creating a state water
21 service excise tax and a related sales tax exemption.

22 REBUILD IOWA INFRASTRUCTURE FUND APPROPRIATIONS FOR WATER
23 QUALITY AGRICULTURE INFRASTRUCTURE PROGRAMS.

24 RIIF appropriations — The bill provides for a total of
25 \$232 million of appropriations over 13 fiscal years from the
26 rebuild Iowa infrastructure fund in Code section 8.57 to a
27 water quality infrastructure fund created in the bill (Code
28 section 8.57B) to be used by the division of soil conservation
29 and water quality of the department of agriculture and land
30 stewardship (soil and water division) in administering two new
31 water quality agriculture infrastructure programs, described
32 below. The appropriations shall be as follows: \$5 million for
33 fiscal year 2017-2018; \$6.5 million for fiscal year 2018-2019;
34 \$11.5 million for fiscal year 2019-2020; \$16.5 million per
35 fiscal year for the two-year fiscal period beginning July 1,

1 2020, and ending June 30, 2022; and \$22 million per fiscal year
2 for the eight-year fiscal period beginning July 1, 2022, and
3 ending June 30, 2030. The water quality infrastructure fund
4 is repealed on the date that all moneys transferred to the
5 fund from the rebuild Iowa infrastructure fund as provided in
6 the bill, including any interest or earnings on such moneys
7 credited to the fund, are expended by the soil and water
8 division, and the balance of the fund is zero.

9 Water quality agriculture infrastructure programs — As
10 part of the existing water quality initiative of the soil and
11 water division in Code section 466B.42, the bill establishes
12 two water quality agriculture infrastructure programs (Code
13 section 466B.43), consisting of an edge-of-field infrastructure
14 program and an in-field infrastructure program, that will
15 provide financing on a cost-share basis to certain agriculture
16 infrastructure projects, including demonstration projects.
17 The edge-of-field program will support projects that capture
18 or filter nutrients entering into surface water. The bill
19 includes wetlands, bioreactor systems, saturated buffers,
20 edge-of-field buffers, and land use changes as examples
21 of projects that may qualify. The in-field infrastructure
22 program will support projects that decrease erosion and
23 precipitation-induced surface runoff, increase water
24 infiltration rates, and increase soil sustainability. The bill
25 includes structures, terraces, waterways located on cropland
26 or pastureland, and soil conservation or erosion control
27 structures or managed drainage systems, and edge-of-field
28 buffers as examples of projects that may qualify.

29 The bill provides for the purpose of the programs and
30 requires that the programs be administered in a manner that
31 is consistent with the Iowa nutrient reduction strategy, as
32 defined in the bill. Both programs are to be administered
33 in a way that coordinates with, and attempts to complement
34 the purposes of, the water quality project financial
35 assistance program and the water quality protection and

1 wastewater treatment grant program created in the bill
2 and described below, and preference is to be given to
3 landowners participating in those programs. Both water
4 quality agriculture infrastructure programs require that
5 projects be located on agricultural land and limit projects to
6 infrastructure designed and installed for use over multiple
7 years. The bill requires that the soil and water division and
8 landowners enter into agreements for financing projects under
9 the programs, provides that the soil and water division may
10 support multiple installations of infrastructure on a single
11 parcel of land, and provides that the two programs may be
12 combined by the soil and water division if it is cost effective
13 to do so. The soil and water division is allowed to annually
14 use up to 4 percent of the programs' moneys for administrative
15 purposes. Beginning in 2018, the soil and water division is
16 required to submit a report by October 1 of each year to the
17 general assembly and the governor detailing expenditures for
18 the previous fiscal year under the programs by hydrologic unit
19 code 8 watershed. The bill provides that certain information
20 related to agricultural land and obtained by the soil and water
21 division under the programs shall be considered a confidential
22 record under Code section 22.7.

23 WATER SERVICE EXCISE TAX FOR CERTAIN WATER QUALITY PROGRAMS.

24 Water service excise tax and related sales tax exemption —
25 The bill exempts from the state sales tax the sales price from
26 the sale or furnishing by a water utility of a water service in
27 the state to consumers or users. "Water service" and "water
28 utility" are defined in the bill.

29 By operation of Code section 423.6, an item exempt from the
30 imposition of the sales tax is also exempt from the use tax
31 imposed in Code section 423.5.

32 The bill creates a state excise tax at the rate of 6 percent
33 on the sales price from the sale or furnishing by a water
34 utility of a water service in the state to consumers or users
35 (Code chapter 423G). The director of revenue is required

1 to administer the water service tax as nearly as possible
2 in conjunction with the administration of the state sales
3 and use tax laws, and, to that end, the bill incorporates by
4 reference numerous Code sections that relate to general tax
5 administration and the sales and use tax laws.

6 State water service tax revenues are deposited in the
7 general fund of the state. The bill requires an increasing
8 portion of the state water service tax revenues collected each
9 year to be transferred to a water quality financial assistance
10 fund created in the bill (Code section 16.198) to support
11 various water quality programs, described below. Transfers to
12 the water quality financial assistance fund equal one-sixth of
13 the water service tax revenues collected on or after July 1,
14 2017, but before August 1, 2018, and increases to one-third,
15 one-half, two-thirds, and five-sixths over the next four years.
16 All water service tax revenues collected on or after August
17 1, 2022, will be transferred to the water quality financial
18 assistance fund.

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

24 Water service tax revenues transferred to the water quality
25 financial assistance fund are then appropriated from the
26 fund as follows: one-sixth of the moneys in the fund is
27 appropriated to IFA to support the water quality protection and
28 wastewater treatment grant program created in the bill (Code
29 section 16.140), and five-sixths of the moneys in the fund
30 is appropriated to IFA to support the water quality project
31 financial assistance program created in the bill (Code sections
32 16.201 through 16.206).

33 Water quality protection and wastewater treatment grant
34 program (Code section 16.140) — This program, administered by
35 IFA, provides financial assistance in the form of grants to

1 municipalities and eligible entities for projects or activities
2 that enhance water quality, upgrade water and wastewater
3 infrastructure, or implement the nutrient reduction strategy.
4 "Municipality", "eligible entity", and other related terms are
5 defined in the bill. The bill describes the types of projects
6 or activities that qualify for grants under the program.
7 The program gives priority in awarding grants to projects
8 or activities that provide improvement to water quality in
9 the relevant watershed, and that also have private financing
10 or certain other state or federal financing as described in
11 the bill. Grants shall not exceed \$500,000 per recipient.
12 The program requires IFA to submit a report by October 1 of
13 each year to the governor and the general assembly detailing
14 expenditures for the previous year under the program, and
15 creates a program review committee consisting of eight members,
16 as provided in the bill, to review the effectiveness of the
17 program every 10 years, beginning in 2027.

18 Water quality project financial assistance program (Code
19 sections 16.201 through 16.206) — This program provides
20 financial assistance to eligible entities that engage in a
21 project designed to improve water quality or water resource
22 management for the purpose of enhancing the quality of surface
23 water and groundwater. "Eligible entity", "project", and
24 other related terms are defined in the bill. The program
25 is administered by IFA in cooperation with the department of
26 natural resources (DNR) and the department of agriculture
27 and land stewardship (IDALS). The program allows IFA to
28 provide financial assistance in the form it deems most
29 convenient, including loans, forgivable loans, and grants,
30 but requires that the program be a permanent source of water
31 quality financial assistance. The program allows financing
32 entities, as defined in the bill, to apply to IFA for financial
33 assistance and submit project plans that substantially improve
34 water quality in the local area or watershed, and provides
35 certain application requirements. Preference under the program

1 shall be given to projects that will have the greatest impact
2 on achieving the goals set forth in the nutrient reduction
3 strategy, and plans designed to achieve those goals shall be
4 presumed to improve water quality. Also, plans that include a
5 nutrient reduction exchange, as defined in the bill, between
6 two or more members of the eligible entity will be presumed to
7 substantially improve water quality.

8 Preference under the program is to be given to eligible
9 entities that have project plans evaluated by the Iowa nutrient
10 research center (Code section 466B.47), and to eligible
11 entities that contract with the Iowa nutrient research center
12 to verify the amount of nutrient reduction achieved by the
13 project upon project completion.

14 The bill creates a three-member committee to review project
15 plans, review and score applications, and make financial
16 assistance awards. The executive director of IFA, the director
17 of DNR, and the secretary of agriculture each appoint one
18 member to the committee. Eligible entities receiving financial
19 assistance awards are required to enter into agreements with
20 IFA, and IFA determines the terms of any loan and may charge
21 fees and costs necessary for the continued operation of the
22 program. The bill provides that a drainage district that is a
23 party to a Code chapter 28E agreement that creates a financing
24 entity is not required to be a signatory on any loan agreement
25 entered into under the program. The bill further requires
26 IFA to adopt rules relating to the proportional liability, if
27 any, of members of an eligible entity that enter into a loan
28 agreement under the program.

29 The bill creates a water quality project financial
30 assistance fund administered by IFA to provide financial
31 assistance under the program. The bill allows IFA to establish
32 and maintain other funds and accounts necessary to carry out
33 the purposes of the program.

34 The bill allows IFA to issue until June 30, 2042, bonds and
35 notes for the purpose of funding the program, and the bill

1 provides several requirements for the issuance of such bonds
2 and notes, for loan or purchase agreements with bondholders
3 or noteholders, for the pledging of certain funds toward the
4 repayment of the bonds and notes, and for the establishment of
5 reserve funds to secure the bonds and notes. The bill also
6 includes other provisions related to the notes and bonds,
7 including that such bonds and notes are exempt from taxation
8 by the state.

9 MISCELLANEOUS PROVISIONS. The bill amends the powers of
10 a soil and water conservation district under chapter 161A to
11 include the completion of certain projects as described in the
12 bill, and to allow a district to apply for financial assistance
13 under the water quality project financial assistance program.

14 The bill amends provisions in Code chapter 161C governing
15 the water protection projects and practices of a soil and water
16 conservation district by adding to the types of projects the
17 district may engage in and the type of entities the district
18 may work with to complete such projects.

19 The bill amends various provisions of Code chapter 161E
20 (flood and erosion control) to add to the types of projects a
21 county may engage in or offer financial assistance for under
22 that Code chapter, or to levy a property tax for under that
23 Code chapter, and to add to the types of entities the county
24 may work with to complete projects.

25 The bill amends provisions in Code chapter 161F (soil
26 conservation and flood control districts) to add to the
27 types of projects a soil conservation and flood control
28 district established by a county may engage in under that Code
29 chapter, and the types of entities a district may work with
30 to complete such projects. The bill also specifies that a
31 district established pursuant to Code chapter 161F shall not
32 be considered a drainage district established pursuant to Code
33 chapter 468.

34 The bill adds to the types of projects that a public agency
35 may complete through joint financing with another public agency

1 under Code chapter 28F (joint financing of public works and
2 facilities).

3 The bill amends provisions governing certain projects
4 completed and financed by a city under Code chapter 384 (city
5 finance). The bill adds to the types of projects specified
6 that meet the definition of a "water resource restoration
7 project", which is a type of project a city may engage in
8 and issue revenue bonds or pledge orders for. The bill also
9 amends the definition of "qualified entity" to include entities
10 created under Code chapter 28F (joint financing of public
11 works and facilities). Under current law, a city may enter
12 into agreements with a qualified entity relating to the use of
13 revenue bond proceeds for a water resource restoration project.

14 The bill amends the definition of "point source" in Code
15 section 455B.171, which contains definitions for terms used in
16 provisions of the Code that concern the jurisdiction of DNR
17 related to water quality, to exclude agricultural storm water
18 discharges and return flows from irrigated agriculture. The
19 bill provides that it is the legislative intent of the general
20 assembly that this amendment to the definition of "point
21 source" is a conforming amendment consistent with current state
22 and federal law, and that the amendment does not change the
23 application of current law but instead reflects current law
24 both before and after the enactment of the bill.

25 The bill amends Code section 455B.176A, relating to water
26 quality standards created by DNR and the environmental
27 protection commission, to define "Iowa nutrient reduction
28 strategy" and "nutrient", and to provide that DNR shall provide
29 support to IDALS in efforts to implement the Iowa nutrient
30 reduction strategy, and further provides that progress under
31 the Iowa nutrient reduction strategy and the United States
32 environmental protection agency gulf hypoxia action plan shall
33 be evaluated using a baseline condition calculated for the time
34 period between 1980 and 1996.

35 The bill amends Code section 455B.195, relating to

1 the required use or analysis of credible data by DNR when
2 developing or determining certain water quality issues,
3 to provide that progress under the Iowa nutrient reduction
4 strategy and the United States environmental protection agency
5 gulf hypoxia action plan shall be evaluated using a baseline
6 condition calculated for the time period between 1980 and 1996.

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

14 The bill amends Code section 466B.42, relating to the water
15 quality initiative of the soil and water division, to provide
16 that the goal of the water quality initiative is to implement
17 the soil and water division's responsibilities under the Iowa
18 nutrient reduction strategy, and to provide that 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 Finally, the bill adds the IFA water quality project
24 financial assistance program bonds and notes authorized in
25 the bill under new Code section 16.202 to the list of bonds
26 and notes the income from which is exempt from the individual
27 income tax under Code section 422.7 (computation of net
28 income). This provision of the bill applies retroactively to
29 January 1, 2017, for tax years beginning on or after that date.