

Senate File 512 - Introduced

SENATE FILE 512

BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SF 482)

(SUCCESSOR TO SSB 1034)

A BILL FOR

1 An Act relating to water quality by amending the wastewater
2 treatment financial assistance program, creating a water
3 quality infrastructure fund, establishing a water quality
4 financing program, providing for cost-share programs for
5 infrastructure on agricultural and urban land under the
6 water quality initiative, creating a water service excise
7 tax and a related sales tax exemption, making transfers and
8 appropriations and other changes properly related to water
9 quality, and including effective date provisions.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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

4 NEW SUBPARAGRAPH DIVISION. (0c) For the fiscal year
5 beginning July 1, 2020, and for each fiscal year thereafter, of
6 the wagering tax receipts received pursuant to sections 99D.17
7 and 99F.11, the next fifteen million dollars shall be deposited
8 in the water quality infrastructure fund created in section
9 8.57B.

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

13 (d) For the fiscal year beginning July 1, 2013, and for
14 each fiscal year thereafter, the total moneys in excess of the
15 moneys deposited under this paragraph "f" in the revenue bonds
16 debt service fund, the revenue bonds federal subsidy holdback
17 fund, the vision Iowa fund, the water quality infrastructure
18 fund, and the Iowa skilled worker and job creation fund shall
19 be deposited in the rebuild Iowa infrastructure fund and shall
20 be used as provided in [this section](#), notwithstanding section
21 8.60.

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

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

33 2. The fund shall be separate from the general fund of the
34 state and the balance in the fund shall not be considered part
35 of the balance of the general fund of the state. However, the

1 fund shall be considered a special account for the purposes
2 of section 8.53, relating to generally accepted accounting
3 principles.

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

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

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

17 **16.134 Wastewater and drinking water treatment financial**
18 **assistance program.**

19 1. The Iowa finance authority shall establish and
20 administer a wastewater and drinking water treatment financial
21 assistance program. The purpose of the program shall be to
22 provide financial assistance to enhance water quality. The
23 program shall be administered in accordance with rules adopted
24 by the authority pursuant to [chapter 17A](#). For purposes of
25 this section, "*program*" means the wastewater and drinking water
26 treatment financial assistance program and "*committee*" means the
27 water quality financing review committee created in subsection
28 9.

29 2. A wastewater and drinking water treatment financial
30 assistance fund is created and shall consist of appropriations
31 made to the fund and transfers of interest, earnings, and
32 moneys from other funds as provided by law. Moneys transferred
33 to the fund pursuant to section 16.134A are appropriated to the
34 authority for purposes of the program. Moneys in the fund are
35 not subject to [section 8.33](#). Notwithstanding section 12C.7,

1 subsection 2, interest or earnings on moneys in the fund shall
2 be credited to the fund.

3 3. Financial assistance under the program shall be used
4 to install or upgrade wastewater treatment facilities and
5 systems and drinking water treatment facilities and systems,
6 including source water protection projects, and for engineering
7 or technical assistance for facility planning and design.

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

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

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

24 ~~e.~~ b. Priority shall be given to projects ~~in which the~~
25 meeting criteria established in section 455B.199B in which the
26 applicant seeks financial assistance ~~is to be used to obtain~~
27 with financing under the water pollution control works and
28 drinking water facilities financing program pursuant to section
29 16.131 or other federal, ~~or~~ state, or private financing.

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

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

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

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

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

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

14 4A. A utility management organization formed under chapter
15 28E or operated by a rural water system organized under chapter
16 357A or chapter 504 shall be considered eligible for financial
17 assistance under the program.

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

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

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

33 8. a. Beginning September 1, 2027, and every ten years
34 thereafter, a program review committee is established for
35 purposes of reviewing the wastewater and drinking water

1 treatment financial assistance program. By December 1 of the
2 same year, the program review committee shall file a report
3 with the governor and the general assembly that reviews the
4 effectiveness of the program during the prior ten fiscal years.

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

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

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

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

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

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

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

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

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

35 Sec. 5. NEW SECTION. 16.134A Water quality financial

1 **assistance fund.**

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

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

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

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

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

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

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

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

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

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

28 **Sec. 6. NEW SECTION. 16.142 Definitions.**

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

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

35 2. "Eligible entity" means a municipality or a landowner,

1 as determined by the authority, a public utility as defined
2 in section 476.1, or a rural water district or rural water
3 association as defined in section 357A.1.

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

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

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

19 6. "*Project*" means any combination of improvements,
20 structures, developments, tasks, actions, constructions,
21 modifications, operations, or practices designed to improve
22 water quality that are proposed by an eligible entity and
23 approved by the authority. "*Project*" includes but is not
24 limited to any of the following:

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

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

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

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

34 1. The authority, in cooperation with the department of
35 natural resources and the department of agriculture and land

1 stewardship, shall establish and administer a water quality
2 financing program. The purpose of the program shall be to
3 provide financial assistance to enhance the quality of surface
4 water and groundwater, particularly by providing financial
5 assistance for projects designed to improve water quality
6 by addressing point and nonpoint sources, with a higher
7 prioritization provided to collaborative efforts.

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

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

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

25 **Sec. 8. NEW SECTION. 16.144 Water quality financing program**
26 **fund — appropriation — other funds.**

27 1. a. A water quality financing program fund is created
28 and shall consist of appropriations made to the fund, moneys
29 credited to the fund pursuant to section 16.134A, and transfers
30 of interest, earnings, and moneys from other funds as provided
31 by law. The fund shall be administered by the authority as
32 a revolving fund. Moneys in the fund are appropriated to
33 the authority for purposes of the program. Notwithstanding
34 section 8.33, moneys in the fund that remain unencumbered or
35 unobligated at the close of a fiscal year shall not revert

1 but shall remain available for expenditure for the purposes
2 designated. Notwithstanding section 12C.7, subsection 2,
3 interest or earnings on moneys in the fund shall be credited
4 to the fund.

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

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

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

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

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

28 3. The funds or accounts held by the authority, or a trustee
29 acting on behalf of the authority pursuant to a trust agreement
30 related to the program, shall not be considered part of the
31 general fund of the state, are not subject to appropriation for
32 any other purpose by the general assembly, and in determining
33 a general fund balance shall not be included in the general
34 fund of the state, but shall remain in the funds and accounts
35 maintained by the authority or trustee pursuant to a trust

1 agreement. Funds and accounts held by the authority, or a
2 trustee acting on behalf of the authority pursuant to a trust
3 agreement related to the program, are separate dedicated funds
4 and accounts under the administration and control of the
5 authority and subject to section 16.31.

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

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

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

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

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

31 2. The authority shall review and approve or deny
32 applications for financial assistance. The provision of
33 financial assistance under the program shall take into account,
34 as applicable, the number of municipalities, landowners, public
35 utilities, rural water districts, or rural water associations

1 comprising an eligible entity and the eligible entity's
2 financing capacity. The authority shall score applications
3 for financial assistance according to rules adopted pursuant
4 to this part. The authority shall only provide financial
5 assistance to eligible entities that have sufficient financing
6 capacity and that submit an appropriate plan designed to
7 improve water quality.

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

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

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

19 *b.* For purposes of this subsection:

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

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

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

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

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

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

31 2. As used in this chapter, "*water service*" and "*water*
32 *utility*" mean the same as defined in section 423.3, subsection
33 103.

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

35 An excise tax at the rate of six percent is imposed on the

1 sales price from the sale or furnishing by a water utility of a
2 water service in the state to consumers or users.

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

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

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

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

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

21 3. Section 422.25, subsection 4, sections 422.30, 422.67,
22 and 422.68, section 422.69, subsection 1, sections 422.70,
23 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
24 1, and sections 423.23, 423.24, 423.25, 423.31 through
25 423.35, 423.37 through 423.42, and 423.47, consistent with the
26 provisions of this chapter, shall apply with respect to the tax
27 authorized under this chapter, in the same manner and with the
28 same effect as if the excise taxes on the sale or furnishing of
29 a water service were retail sales taxes within the meaning of
30 those statutes. Notwithstanding this subsection, the director
31 shall provide for quarterly filing of returns and for other
32 than quarterly filing of returns both as prescribed in section
33 423.31. All taxes collected under this chapter by a retailer
34 or any user are deemed to be held in trust for the state of
35 Iowa.

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

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

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

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

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

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

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

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

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

27 2. July 1, 2029.

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

30 NEW SUBSECTION. 10A. "*Iowa nutrient reduction strategy*"
31 means a water quality initiative developed and updated by the
32 department of agriculture and land stewardship, the department
33 of natural resources, and the college of agriculture and life
34 sciences at Iowa state university of science and technology in
35 order to assess and reduce nutrients in this state's watersheds

1 that utilize a pragmatic, strategic, and coordinated approach
2 with the goal of accomplishing reductions over time.

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

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

7 19. "*Point source*" means any discernible, confined, and
8 discrete conveyance, including but not limited to any pipe,
9 ditch, channel, tunnel, conduit, well, discrete fissure,
10 container, rolling stock, concentrated animal feeding
11 operation, or vessel or other floating craft, from which
12 pollutants are or may be discharged. "Point source" does not
13 include agricultural storm water discharge and return flows
14 from irrigated agriculture.

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

17 NEW SUBSECTION. 3. The general assembly further finds
18 and declares that it is in the interest of the people of Iowa
19 to assess and reduce nutrients in surface waters over time by
20 implementing the Iowa nutrient reduction strategy. To evaluate
21 the progress achieved over time toward the goals of the Iowa
22 nutrient reduction strategy and the United States environmental
23 protection agency gulf hypoxia action plan, the baseline
24 condition shall be calculated for the time period from 1980 to
25 1996.

26 Sec. 21. Section 466B.3, subsection 3, paragraph c, Code
27 2017, is amended to read as follows:

28 c. Whether the funds, programs, and regulatory efforts
29 coordinated by the council eventually result in a long-term
30 improvement to the quality of surface water in Iowa. To
31 evaluate the progress achieved over time toward the goals of
32 the Iowa nutrient reduction strategy, as defined in section
33 455B.171, and the United States environmental protection agency
34 gulf hypoxia action plan, the baseline condition shall be
35 calculated for the time period from 1980 to 1996.

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

3 **466B.42 Water quality initiative.**

4 The division shall establish a water quality initiative
5 in order to assess and reduce nutrients in this state's
6 watersheds, including subwatersheds, and regional watersheds,
7 and for implementing its responsibilities under the Iowa
8 nutrient reduction strategy as defined in section 455B.171.
9 The division shall establish and administer projects to
10 reduce nutrients in surface waters from nonpoint sources in
11 a scientific, reasonable, and cost-effective manner. The
12 division shall utilize a pragmatic, strategic, and coordinated
13 approach with the goal of accomplishing reductions over time.
14 To evaluate the progress achieved over time toward the goals
15 of the Iowa nutrient reduction strategy and the United States
16 environmental protection agency gulf hypoxia action plan, the
17 baseline condition shall be calculated for the time period from
18 1980 to 1996.

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

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

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

35 3. An edge-of-field infrastructure program is created.

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

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

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

34 6. By October 1, 2018, and each October 1, thereafter, the
35 division shall submit a report to the governor and the general

1 assembly itemizing expenditures, by hydrologic unit code 8
2 watershed, under the programs during the previous fiscal year,
3 if any.

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

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

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

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

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

29 4. Any state moneys used to finance a project under a water
30 quality urban infrastructure program shall be administered
31 according to an agreement entered into by the division and the
32 owner of the land where the infrastructure is to be installed.
33 The agreement shall include standard terms and conditions
34 for the receipt of program moneys and any other terms and
35 conditions the division deems necessary or convenient for

1 the efficient administration of the project or program. The
2 division may support multiple installations of infrastructure
3 on a single parcel of land. The division may annually use an
4 amount of not more than four percent of the moneys used to
5 support the program for administrative purposes.

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

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

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

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

29 Sec. 25. LEGISLATIVE INTENT. It is the intent of the
30 general assembly that the amendment in this Act to the
31 definition of point source in section 455B.171, subsection
32 19, is a conforming amendment consistent with current state
33 and federal law, and that the amendment does not change the
34 application of current law but instead reflects current law
35 both before and after the enactment of this Act.

1 projects that may qualify.

2 The bill provides for the purpose of the programs and
3 requires that the programs be administered in a manner that
4 is consistent with the latest version of the Iowa nutrient
5 reduction strategy initially presented in November 2012 by the
6 department of agriculture and land stewardship, the department
7 of natural resources, and Iowa state university of science
8 and technology (nutrient reduction strategy). Both programs
9 require that projects be located on agricultural land and limit
10 projects to infrastructure designed and installed for use over
11 multiple years. The bill requires that the soil and water
12 division and landowners enter into agreements for financing
13 projects under the programs, provides that the soil and water
14 division may support multiple installations of infrastructure
15 on a single parcel of land, and provides that the two programs
16 may be combined by the soil and water division if it is cost
17 effective to do so. The soil and water division is allowed
18 to annually use up to 4 percent of the programs' moneys for
19 administrative purposes. Beginning in 2018, the soil and
20 water division is required to submit a report by October 1 of
21 each year to the general assembly and the governor detailing
22 expenditures for the previous fiscal year under the programs by
23 hydrologic unit code 8 watershed, if any. The bill provides
24 that certain information related to agricultural land and
25 obtained by the soil and water division under the programs
26 shall be considered a confidential record under Code section
27 22.7.

28 Wastewater and drinking water treatment financial assistance
29 program — The bill amends the wastewater treatment financial
30 assistance program administered by the Iowa finance authority
31 (IFA) in Code section 16.134. Currently, the program provides
32 financial assistance in the form of grants from IFA to
33 disadvantaged communities to install or upgrade wastewater
34 treatment facilities and systems, and for engineering or
35 technical assistance for facility planning and design. The

1 bill adds drinking water treatment facilities and systems,
2 including source water protection projects, to the program.
3 The bill also removes the requirement that a community
4 qualify as a disadvantaged community in order to receive
5 financial assistance, instead providing that such disadvantaged
6 communities shall receive priority under the program. The
7 bill also modifies other priority designations under the
8 program and modifies goals of the program, and provides that
9 a utility management organization formed under Code chapter
10 28E or operated by a rural water system organized under Code
11 chapter 357A or 504 shall be considered eligible for financial
12 assistance under the program. The bill also adds reporting and
13 review requirements to the program, modifies the permitted use
14 of fund moneys for administrative purposes, and creates a water
15 quality financing review committee consisting of three members,
16 as provided in the bill, to review and approve applications
17 for financial assistance under the program. Finally, the bill
18 requires IFA to submit a report by October 1 of each year to the
19 governor and general assembly detailing expenditures for the
20 previous year under the program, if any, and creates a program
21 review committee consisting of eight members, as provided in
22 the bill, to review the effectiveness of the program every 10
23 years, beginning in 2027.

24 Water quality financing program (Code sections 16.142
25 through 16.145) — This program provides financial assistance
26 in the form of loans, forgivable loans, and grants to enhance
27 the quality of surface water and groundwater, particularly
28 by providing financial assistance for projects designed
29 to improve water quality by addressing point and nonpoint
30 sources. The program is administered by IFA in cooperation
31 with the department of natural resources and the department of
32 agriculture and land stewardship. The bill creates a water
33 quality financing program fund administered by IFA to provide
34 financial assistance under the program. The bill allows IFA
35 to establish and maintain other funds and accounts necessary

1 to carry out the purposes of the program. Under the program,
2 an eligible entity is a municipality, as defined in the bill,
3 or a landowner, public utility, or rural water district or
4 rural water association. The bill provides certain application
5 requirements regarding a plan for water quality improvement and
6 financing and requires loan recipients to enter into agreements
7 with IFA for terms of the financial assistance.

8 In order to be eligible for financial assistance, a proposed
9 project must improve water quality in the local area or
10 watershed using practices identified in the Iowa nutrient
11 reduction strategy. Drainage and levee districts are required
12 to utilize installations described in the edge-of-field
13 infrastructure program (Code section 466B.43), discussed above.
14 IFA reviews proposed projects, negotiates project details, and
15 approves or denies applications.

16 Beginning in 2018, IFA is required to submit a report by
17 October 1 of each year to the general assembly and the governor
18 detailing expenditures from the fund, if any, for the previous
19 fiscal year.

20 Water quality urban infrastructure program (Code section
21 466b.44) — As part of the existing water quality initiative
22 of the soil and water division in Code section 466B.42, the
23 bill creates a water quality urban infrastructure program
24 to support watershed projects and advance implementation
25 of the Iowa nutrient reduction strategy. Program support
26 may include demonstration projects that decrease erosion,
27 precipitation-induced surface runoff, and storm water
28 discharges and that increase water infiltration rates.
29 Projects shall be based on Iowa's storm water management manual
30 published by the department of natural resources. Financial
31 assistance is provided on a cost-share basis or through
32 cooperative agreements with certain watersheds as described
33 in the bill. The bill requires the soil and water division
34 and landowners to enter into agreements for financing projects
35 under the program, and provides that the soil and water

1 division may support multiple installations of infrastructure
2 on a single parcel of land. The soil and water division is
3 allowed to annually use up to 4 percent of the program's moneys
4 for administrative purposes.

5 The soil and water division may use any amount available
6 under the program to develop and maintain an online resource
7 displaying measurable indicators of desirable change in water
8 quality within the state's watersheds, and beginning July 1,
9 2018, may use any amount available under the program to extend
10 and support the three-year data collection of the in-field
11 agricultural practices project as enacted in 2015 Iowa Acts,
12 ch. 132, §18.

13 Beginning in 2018, the soil and water division is required
14 to submit a report by October 1 of each year to the general
15 assembly and the governor detailing expenditures for the
16 previous fiscal year under the program, if any. The bill
17 provides that certain information related to the land and
18 obtained by the soil and water division under the program shall
19 be considered a confidential record under Code section 22.7.

20 WATER SERVICE EXCISE TAX AND OTHER WATER QUALITY FUNDING.

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

26 By operation of Code section 423.6, an item exempt from the
27 imposition of the sales tax is also exempt from the use tax
28 imposed in Code section 423.5.

29 The bill creates an excise tax at the rate of 6 percent
30 on the sales price from the sale or furnishing by a water
31 utility of a water service in the state to consumers or users
32 (Code chapter 423G). The director of revenue is required
33 to administer the water service tax as nearly as possible
34 in conjunction with the administration of the state sales
35 and use tax laws, and, to that end, the bill incorporates by

1 reference numerous Code sections that relate to general tax
2 administration and the sales and use tax laws.

3 The water service excise tax and related sales tax exemption
4 both take effect July 1, 2018.

5 Water service tax revenues are deposited in the general
6 fund of the state, and the bill then requires a specified
7 portion of the water service tax revenues collected each year
8 to be transferred to a water quality financial assistance
9 fund created in the bill (Code section 16.134A) to support
10 various water quality programs, or to the water quality
11 infrastructure fund created in the bill (Code section 8.57B) to
12 support the water quality agriculture infrastructure programs
13 created in the bill (Code section 466B.43). For revenues
14 collected on or after July 1, 2018, but before August 1, 2019,
15 one-twelfth of the revenues are transferred to the water
16 quality financial assistance fund, and one-twelfth of the
17 revenues are transferred to the water quality infrastructure
18 fund. For revenues collected on or after August 1, 2019,
19 but before August 1, 2020, one-sixth of the revenues are
20 transferred to the water quality financial assistance fund, and
21 one-sixth of the revenues are transferred to the water quality
22 infrastructure fund. For revenues collected on or after August
23 1, 2020, one-half of the revenues are transferred to the water
24 quality financial assistance fund.

25 The water service tax is repealed on the enactment date
26 that the state sales tax rate in effect on July 1, 2016, is
27 increased, or on July 1, 2029, whichever occurs earlier.

28 Water service tax revenues transferred to the water quality
29 financial assistance fund are then appropriated from the fund
30 for the following programs beginning July 1, 2018: 40 percent
31 is appropriated to the IFA to support the wastewater and
32 drinking water treatment financial assistance program in Code
33 section 16.134, 45 percent is appropriated to IFA to support
34 the water quality financing program created in the bill (Code
35 sections 16.142 through 16.145), and 15 percent is appropriated

1 to the soil and water division to support the water quality
2 urban infrastructure program created in the bill (Code section
3 466B.44).

4 Water service tax revenues transferred to the water quality
5 infrastructure fund are appropriated to the soil and water
6 division for administering the water quality agriculture
7 infrastructure programs (Code section 466B.43) created in the
8 bill and described above.

9 Transfer of wagering tax receipts — The bill also
10 transfers certain wagering tax receipts to the water quality
11 infrastructure fund beginning July 1, 2020. Under current
12 law, \$15 million of the wagering tax receipts received by
13 the state each fiscal year are deposited in the vision Iowa
14 fund for the repayment of certain vision Iowa bonds. Those
15 transfers are set to expire June 30, 2020. For the fiscal year
16 beginning July 1, 2020, and for each fiscal year thereafter,
17 the bill provides that \$15 million of the wagering tax receipts
18 shall be deposited in the water quality infrastructure fund
19 (Code section 8.57B) to support the water quality agriculture
20 infrastructure programs (Code section 466B.43).

21 MISCELLANEOUS CHANGES. The bill defines "Iowa nutrient
22 reduction strategy" and "nutrient" in Code section 455B.171,
23 which contains definitions for terms used in provisions of
24 the Code that concern the jurisdiction of the department of
25 natural resources related to water quality, and also amends
26 the definition of "point source" in that Code section to
27 exclude agricultural storm water discharges and return flows
28 from irrigated agriculture. The bill provides that it is the
29 legislative intent of the general assembly that this amendment
30 to the definition of "point source" is a conforming amendment
31 consistent with current state and federal law, and that the
32 amendment does not change the application of current law but
33 instead reflects current law both before and after enactment
34 of the bill.

35 The bill amends the declaration of policy for the department

1 of natural resources' water quality jurisdiction in Code
2 section 455B.177 to include in such policy the assessment
3 and reduction of nutrients in surface waters over time by
4 implementing the Iowa nutrient reduction strategy, and further
5 adds that progress under the Iowa nutrient reduction strategy
6 and the United States environmental protection agency gulf
7 hypoxia action plan shall be evaluated using a baseline
8 condition calculated for the time period between 1980 and 1996.

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

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