

Senate File 512 - Reprinted

SENATE FILE 512

BY COMMITTEE ON APPROPRIATIONS

(SUCCESSOR TO SF 482)

(SUCCESSOR TO SSB 1034)

(As Amended and Passed by the Senate April 20, 2017)

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) (i) For each fiscal year
5 of the period beginning July 1, 2020, and ending June 30, 2029,
6 of the wagering tax receipts received pursuant to sections
7 99D.17 and 99F.11, the next fifteen million dollars shall be
8 deposited in the water quality infrastructure fund created in
9 section 8.57B.

10 (ii) Notwithstanding subparagraph subdivision (i), this
11 subparagraph division (0c) is repealed on one of the following
12 dates, whichever is earlier:

13 (A) On July 1 following the enactment date that the tax
14 rate for the sales tax imposed upon the retail sales price of
15 tangible personal property and the furnishing of enumerated
16 services sold in this state in effect on July 1, 2016, is
17 increased.

18 (B) On July 1, 2029.

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

22 (d) For the fiscal year beginning July 1, 2013, and for
23 each fiscal year thereafter, the total moneys in excess of the
24 moneys deposited under this paragraph "f" in the revenue bonds
25 debt service fund, the revenue bonds federal subsidy holdback
26 fund, the vision Iowa fund, the water quality infrastructure
27 fund, and the Iowa skilled worker and job creation fund shall
28 be deposited in the rebuild Iowa infrastructure fund and shall
29 be used as provided in [this section](#), notwithstanding section
30 8.60.

31 Sec. 3. NEW SECTION. **8.57B Water quality infrastructure**
32 **fund — creation — appropriations.**

33 1. A water quality infrastructure fund is created within
34 the division of soil conservation and water quality of the
35 department of agriculture and land stewardship. The fund

1 shall consist of moneys transferred pursuant to section 8.57,
2 subsection 5, paragraph "f", subparagraph (1), subparagraph
3 division (0c), moneys transferred to the fund pursuant to
4 section 423G.6, and appropriations made to the fund and
5 transfers of interest, earnings, and moneys from other funds
6 as provided by law.

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

26 **16.134 Wastewater and drinking water treatment financial**
27 **assistance program.**

28 1. The Iowa finance authority shall establish and
29 administer a wastewater and drinking water treatment financial
30 assistance program. The purpose of the program shall be to
31 provide financial assistance to enhance water quality. The
32 program shall be administered in accordance with rules adopted
33 by the authority pursuant to [chapter 17A](#). For purposes of
34 this section, "program" means the wastewater and drinking water
35 treatment financial assistance program and "committee" means the

1 water quality financing review committee created in subsection
2 9.

3 2. A wastewater and drinking water treatment financial
4 assistance fund is created and shall consist of appropriations
5 made to the fund and transfers of interest, earnings, and
6 moneys from other funds as provided by law. Moneys transferred
7 to the fund pursuant to section 16.134A are appropriated to the
8 authority for purposes of the program. Moneys in the fund are
9 not subject to [section 8.33](#). Notwithstanding section 12C.7,
10 subsection 2, interest or earnings on moneys in the fund shall
11 be credited to the fund.

12 3. Financial assistance under the program shall be used
13 to install or upgrade wastewater treatment facilities and
14 systems and drinking water treatment facilities and systems,
15 including source water protection projects, and for engineering
16 or technical assistance for facility planning and design.

17 4. The authority committee shall ~~distribute~~ approve
18 financial assistance ~~in~~ from the fund in accordance with the
19 following:

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

24 ~~b. a. Communities shall be eligible for financial~~
25 ~~assistance by qualifying as~~ Priority shall be given for
26 projects in which a disadvantaged community ~~and~~ is seeking
27 financial assistance for the installation or upgrade of
28 wastewater treatment facilities ~~due to regulatory activity~~
29 ~~by the department of natural resources~~ and drinking water
30 treatment facilities. For purposes of [this section](#), the term
31 "*disadvantaged community*" means the same as defined by the
32 department.

33 ~~c. b. Priority shall be given to projects in which the~~
34 meeting criteria established in section 455B.199B in which the
35 applicant seeks financial assistance is to be used to obtain

1 with financing under the water pollution control works and
2 drinking water facilities financing program pursuant to section
3 16.131 or other federal, ~~or~~ state, or private financing.

4 ~~d.~~ c. Priority shall also be given to projects whose
5 completion will provide significant improvement to water
6 quality in the relevant watershed.

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

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

13 f. Priority shall also be given to communities that employ
14 technology to address the latest version of the "Iowa Nutrient
15 Reduction Strategy" initially presented in November 2012 by the
16 department of agriculture and land stewardship, the department
17 of natural resources, and Iowa state university of science and
18 technology.

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

21 h. An applicant shall not receive a grant that exceeds five
22 hundred thousand dollars.

23 4A. A utility management organization formed under chapter
24 28E or operated by a rural water system organized under chapter
25 357A or chapter 504 shall be considered eligible for financial
26 assistance under the program.

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

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

1 ~~four~~ one percent of any moneys appropriated for deposit in the
2 fund for administration purposes.

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

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

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

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

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

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

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

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

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

35 9. a. A water quality financing review committee is

1 created consisting of the secretary of agriculture or the
2 secretary's designee, the executive director of the authority
3 or the executive director's designee, and the director of the
4 department of natural resources or the director's designee.

5 b. The committee shall review and approve or deny
6 applications for financial assistance under the wastewater
7 and drinking water treatment financial assistance program
8 established in this section.

9 Sec. 5. NEW SECTION. 16.134A Water quality financial
10 assistance fund.

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

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

14 a. (1) Moneys transferred to the fund pursuant to section
15 423G.6.

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

17 b. Appropriations made to the fund and transfers of
18 interest, earnings, and moneys from other funds as provided by
19 law.

20 3. For each fiscal year in the fiscal period beginning
21 July 1, 2018, and ending June 30, 2029, there is appropriated
22 the following percentages of the balance of the fund for the
23 following purposes:

24 a. Forty percent to the Iowa finance authority to support
25 the wastewater and drinking water treatment financial
26 assistance program created in section 16.134.

27 b. Forty-five percent to the Iowa finance authority to be
28 credited to the water quality financing program fund created
29 pursuant to section 16.144.

30 c. Fifteen percent to the division of soil conservation
31 and water quality of the department of agriculture and land
32 stewardship to support the water quality urban infrastructure
33 program created in section 466B.44.

34 4. Moneys in the fund are not subject to section 8.33.
35 Notwithstanding section 12C.7, subsection 2, interest or

1 earnings on moneys in the fund shall be credited to the fund.

2 Sec. 6. NEW SECTION. 16.142 Definitions.

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

4 1. "*Cost*" means all costs, charges, expenses, or other
5 indebtedness incurred by a loan recipient and determined by
6 the authority as reasonable and necessary for carrying out
7 all works and undertakings necessary or incidental to the
8 accomplishment of any project.

9 2. "*Eligible entity*" means a municipality or a landowner,
10 as determined by the authority, a public utility as defined
11 in section 476.1, or a rural water district or rural water
12 association as defined in section 357A.1.

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

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

26 5. "*Program*" means the water quality financing program
27 created in this part.

28 6. "*Project*" means any combination of improvements,
29 structures, developments, tasks, actions, constructions,
30 modifications, operations, or practices designed to improve
31 water quality that are proposed by an eligible entity and
32 approved by the authority. "*Project*" includes but is not
33 limited to any of the following:

34 a. A project meeting the requirements of part 2 of this
35 subchapter.

1 *b.* A project, operation, or practice undertaken or carried
2 out to address watershed protection, flood prevention, or water
3 quality improvement.

4 *c.* A project meeting the requirements of a sponsor project
5 under section 455B.199.

6 Sec. 7. NEW SECTION. **16.143 Water quality financing**
7 **program.**

8 1. The authority, in cooperation with the department of
9 natural resources and the department of agriculture and land
10 stewardship, shall establish and administer a water quality
11 financing program. The purpose of the program shall be to
12 provide financial assistance to enhance the quality of surface
13 water and groundwater, particularly by providing financial
14 assistance for projects designed to improve water quality
15 by addressing point and nonpoint sources, with a higher
16 prioritization provided to collaborative efforts.

17 2. The authority shall determine the interest rate
18 and repayment terms for loans made under the program, in
19 cooperation with the department of natural resources and
20 the department of agriculture and land stewardship, and the
21 authority shall enter into loan agreements with eligible
22 entities in compliance with and subject to the terms and
23 conditions of the program as described in this part.

24 3. The authority may charge loan recipients fees and assess
25 costs against such recipients necessary for the continued
26 operation of the program. Such fees and costs shall not exceed
27 the costs directly associated with the administration of the
28 program. Fees and costs collected pursuant to this subsection
29 shall be deposited in the appropriate fund or account created
30 in section 16.144.

31 4. The program shall be administered by the authority in
32 accordance with rules adopted by the authority pursuant to
33 chapter 17A.

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

1 1. *a.* A water quality financing program fund is created
2 and shall consist of appropriations made to the fund, moneys
3 credited to the fund pursuant to section 16.134A, and transfers
4 of interest, earnings, and moneys from other funds as provided
5 by law. The fund shall be administered by the authority as
6 a revolving fund. Moneys in the fund are appropriated to
7 the authority for purposes of the program. Notwithstanding
8 section 8.33, moneys in the fund that remain unencumbered or
9 unobligated at the close of a fiscal year shall not revert
10 but shall remain available for expenditure for the purposes
11 designated. Notwithstanding section 12C.7, subsection 2,
12 interest or earnings on moneys in the fund shall be credited
13 to the fund.

14 *b.* The authority shall use the moneys in the fund to provide
15 financial assistance to eligible entities under the program.
16 The authority may provide financial assistance in the form
17 deemed most convenient for the efficient financing of projects,
18 including loans, forgivable loans, or grants. The authority
19 shall administer the fund and the program in such a manner
20 as to provide a permanent source of water quality project
21 financial assistance to eligible entities.

22 *c.* The authority may annually use an amount of not more
23 than one percent of the moneys in the fund for administrative
24 purposes.

25 2. *a.* The authority may establish and maintain other
26 funds and accounts determined to be necessary to carry out the
27 purposes of the program and shall provide for the funding,
28 administration, investment, restrictions, and disposition of
29 the funds and accounts.

30 *b.* Moneys appropriated to and used by the authority for
31 purposes of paying the costs and expenses associated with
32 the administration of the program shall be administered as
33 determined by the authority.

34 *c.* All moneys transferred to the authority for purposes of
35 the program shall be deposited and held in a fund or account

1 established and maintained pursuant to this section.

2 3. The funds or accounts held by the authority, or a trustee
3 acting on behalf of the authority pursuant to a trust agreement
4 related to the program, shall not be considered part of the
5 general fund of the state, are not subject to appropriation for
6 any other purpose by the general assembly, and in determining
7 a general fund balance shall not be included in the general
8 fund of the state, but shall remain in the funds and accounts
9 maintained by the authority or trustee pursuant to a trust
10 agreement. Funds and accounts held by the authority, or a
11 trustee acting on behalf of the authority pursuant to a trust
12 agreement related to the program, are separate dedicated funds
13 and accounts under the administration and control of the
14 authority and subject to section 16.31.

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

19 **Sec. 9. NEW SECTION. 16.145 Eligible entities — agreements**
20 **required.**

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

24 a. The plan includes one or more projects that improve
25 water quality in the local area or watershed. Projects shall
26 use practices identified in the latest version of the document
27 entitled "Iowa Nutrient Reduction Strategy" initially presented
28 in November 2012 by the department of agriculture and land
29 stewardship, the department of natural resources, and Iowa
30 state university of science and technology. A drainage or
31 levee district established under chapter 468 shall utilize the
32 installation of edge-of-field infrastructure as described in
33 section 466B.43.

34 b. The plan describes in detail the manner in which the
35 projects will be financed and undertaken, including, as

1 applicable, the sources of revenue directed to financing the
2 improvements as well as the eligible entities that will be
3 receiving the revenues and how such revenues will be spent on
4 the projects.

5 2. The authority shall review and approve or deny
6 applications for financial assistance. The provision of
7 financial assistance under the program shall take into account,
8 as applicable, the number of municipalities, landowners, public
9 utilities, rural water districts, or rural water associations
10 comprising an eligible entity and the eligible entity's
11 financing capacity. The authority shall score applications
12 for financial assistance according to rules adopted pursuant
13 to this part. The authority shall only provide financial
14 assistance to eligible entities that have sufficient financing
15 capacity and that submit an appropriate plan designed to
16 improve water quality.

17 3. An approved eligible entity shall enter into an agreement
18 with the authority for the provision of financial assistance.
19 The agreement shall include standard terms for the receipt
20 of program moneys and any other terms the authority deems
21 necessary or convenient for the efficient administration of the
22 program.

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

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

28 *b.* For purposes of this subsection:

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

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

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

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

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

2 1. All words and phrases used in this chapter and defined in
3 section 423.1 have the same meaning given them by section 423.1
4 for purposes of this chapter.

5 2. As used in this chapter, "*water service*" and "*water*
6 *utility*" mean the same as defined in section 423.3, subsection
7 103.

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

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

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

13 The sales price from transactions exempt from state sales
14 tax under section 423.3, except section 423.3, subsection 103,
15 is also exempt from the tax imposed by this chapter.

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

17 1. The director of revenue shall administer the water
18 service tax as nearly as possible in conjunction with the
19 administration of the state sales and use tax law, except that
20 portion of the law that implements the streamlined sales and
21 use tax agreement. The director shall provide appropriate
22 forms, or provide on the regular state tax forms, for reporting
23 water service tax liability.

24 2. The director may require all persons who are engaged
25 in the business of deriving any sales price or purchase
26 price subject to tax under this chapter to register with
27 the department. The director may also require a tax permit
28 applicable only to this chapter for any retailer not
29 collecting, or any user not paying, taxes under chapter 423.

30 3. Section 422.25, subsection 4, sections 422.30, 422.67,
31 and 422.68, section 422.69, subsection 1, sections 422.70,
32 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection
33 1, and sections 423.23, 423.24, 423.25, 423.31 through
34 423.35, 423.37 through 423.42, and 423.47, consistent with the
35 provisions of this chapter, shall apply with respect to the tax

1 authorized under this chapter, in the same manner and with the
2 same effect as if the excise taxes on the sale or furnishing of
3 a water service were retail sales taxes within the meaning of
4 those statutes. Notwithstanding this subsection, the director
5 shall provide for quarterly filing of returns and for other
6 than quarterly filing of returns both as prescribed in section
7 423.31. All taxes collected under this chapter by a retailer
8 or any user are deemed to be held in trust for the state of
9 Iowa.

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

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

13 2. Subsequent to the deposit in the general fund of the
14 state, the department shall transfer the following amounts to
15 the following funds:

16 a. For revenues collected on or after July 1, 2018, but
17 before August 1, 2019, one-twelfth of the revenues to the
18 water quality infrastructure fund created in section 8.57B,
19 and one-twelfth of the revenues to the water quality financial
20 assistance fund created in section 16.134A.

21 b. For revenues collected on or after August 1, 2019,
22 but before August 1, 2020, one-sixth of the revenues to the
23 water quality infrastructure fund created in section 8.57B,
24 and one-sixth of the revenues to the water quality financial
25 assistance fund created in section 16.134A.

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

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

30 This chapter is repealed upon the occurrence of one of the
31 following, whichever is earlier:

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

1 2. July 1, 2029.

2 Sec. 18. Section 455B.171, Code 2017, is amended by adding
3 the following new subsections:

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

12 NEW SUBSECTION. 15A. "*Nutrient*" means total nitrogen and
13 total phosphorus.

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

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

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

26 NEW SUBSECTION. 3. The general assembly further finds
27 and declares that it is in the interest of the people of Iowa
28 to assess and reduce nutrients in surface waters over time by
29 implementing the Iowa nutrient reduction strategy. To evaluate
30 the progress achieved over time toward the goals of the Iowa
31 nutrient reduction strategy and the United States environmental
32 protection agency gulf hypoxia action plan, the baseline
33 condition shall be calculated for the time period from 1980 to
34 1996.

35 Sec. 21. Section 466B.3, subsection 3, paragraph c, Code

1 2017, is amended to read as follows:

2 c. Whether the funds, programs, and regulatory efforts
3 coordinated by the council eventually result in a long-term
4 improvement to the quality of surface water in Iowa. To
5 evaluate the progress achieved over time toward the goals of
6 the Iowa nutrient reduction strategy, as defined in section
7 455B.171, and the United States environmental protection agency
8 gulf hypoxia action plan, the baseline condition shall be
9 calculated for the time period from 1980 to 1996.

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

12 **466B.42 Water quality initiative.**

13 The division shall establish a water quality initiative
14 in order to assess and reduce nutrients in this state's
15 watersheds, including subwatersheds, and regional watersheds,
16 and for implementing its responsibilities under the Iowa
17 nutrient reduction strategy as defined in section 455B.171.
18 The division shall establish and administer projects to
19 reduce nutrients in surface waters from nonpoint sources in
20 a scientific, reasonable, and cost-effective manner. The
21 division shall utilize a pragmatic, strategic, and coordinated
22 approach with the goal of accomplishing reductions over time.
23 To evaluate the progress achieved over time toward the goals
24 of the Iowa nutrient reduction strategy and the United States
25 environmental protection agency gulf hypoxia action plan, the
26 baseline condition shall be calculated for the time period from
27 1980 to 1996.

28 Sec. 23. NEW SECTION. **466B.43 Water quality agriculture**
29 **infrastructure programs.**

30 1. As part of the water quality initiative established
31 pursuant to section 466B.42, the division shall administer
32 water quality agriculture infrastructure programs created in
33 this section.

34 2. The purpose of the programs is to support projects for
35 the installation of infrastructure, including conservation

1 structures, practices, or other measures that reduce
2 contributing nutrient loads, associated sediment, or
3 contaminants from sources to surface waters. The programs
4 shall be administered in a manner that is consistent with
5 the latest version of the "Iowa Nutrient Reduction Strategy"
6 initially presented in November 2012 by the department of
7 agriculture and land stewardship, the department of natural
8 resources, and Iowa state university of science and technology.

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

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

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

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

8 6. By October 1, 2018, and each October 1, thereafter, the
9 division shall submit a report to the governor and the general
10 assembly itemizing expenditures, by hydrologic unit code
11 watershed, under the programs during the previous fiscal year,
12 if any.

13 7. Any information obtained by the division identifying
14 a person holding a legal interest in agricultural land or
15 specific agricultural land shall be a confidential record under
16 section 22.7.

17 Sec. 24. NEW SECTION. **466B.44 Water quality urban**
18 **infrastructure program.**

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

22 2. The purpose of the program is to support watershed
23 projects and advance implementation of the latest version of
24 the "Iowa Nutrient Reduction Strategy" initially presented
25 in November 2012 by the department of agriculture and land
26 stewardship, the department of natural resources, and Iowa
27 state university of science and technology, which program
28 support may include demonstration projects that decrease
29 erosion, precipitation-induced surface runoff, and storm
30 water discharges and that increase water infiltration rates.
31 The program's projects shall be based on Iowa's storm water
32 management manual published by the department of natural
33 resources.

34 3. The program shall be financed on a cost-share basis or
35 through cooperative agreements with watershed projects funded

1 through section 455B.199 whose project activities fall outside
2 the territorial boundaries of a city.

3 4. Any state moneys used to finance a project under a water
4 quality urban infrastructure program shall be administered
5 according to an agreement entered into by the division and the
6 owner of the land where the infrastructure is to be installed.
7 The agreement shall include standard terms and conditions
8 for the receipt of program moneys and any other terms and
9 conditions the division deems necessary or convenient for
10 the efficient administration of the project or program. The
11 division may support multiple installations of infrastructure
12 on a single parcel of land. The division may annually use an
13 amount of not more than four percent of the moneys used to
14 support the program for administrative purposes.

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

21 6. Notwithstanding any other provision of this section
22 to the contrary, the division may use any amount available
23 to support the water quality urban infrastructure program to
24 develop and maintain an online resource displaying measurable
25 indicators of desirable change in water quality within the
26 state's watersheds. These measurable indicators may include
27 but are not limited to public and private funding inputs,
28 involvement in water quality projects, and improvements, land
29 use, practice adoption, calculated load reduction, and measured
30 loads at existing monitoring stations.

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

35 8. Any information obtained by the division identifying a

1 person holding a legal interest in land or specific land shall
2 be a confidential record under section 22.7.

3 Sec. 25. INTERIM STUDY COMMITTEE ON SMALL CITIES AND CLEAN
4 WATER STANDARDS.

5 1. The legislative council is requested to establish a study
6 committee for the 2017 interim to identify and comprehensively
7 review the financial and other challenges faced by small
8 cities in complying with the various state and federal clean
9 water standards, and to consider options for addressing those
10 challenges.

11 2. The interim committee's review shall include an
12 evaluation of the future effectiveness of the wastewater
13 and drinking water treatment financial assistance program
14 created in this Act in section 16.134 and the water quality
15 financing program created in sections 16.142 through 16.145,
16 and may include evaluations of other existing or proposed
17 state programs as desired. The committee shall seek input
18 and may request information or assistance from public and
19 private stakeholders and experts, including utility management
20 organizations, the Iowa association of business and industry,
21 the department of natural resources, the Iowa finance
22 authority, the department of agriculture and land stewardship,
23 the economic development authority, the Iowa chamber alliance,
24 the Iowa league of cities, and the Iowa state association of
25 counties.

26 3. The interim committee shall submit its findings and
27 recommendations to the general assembly for consideration
28 during the 2018 legislative session.

29 Sec. 26. 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 Sec. 27. EFFECTIVE DATE. The following provision or
2 provisions of this Act take effect July 1, 2018:

3 1. The section of this Act enacting section 423.3,
4 subsection 103.

5 2. The sections of this Act enacting sections 423G.1,
6 423G.2, 423G.3, 423G.4, 423G.5, 423G.6, and 423G.7.