STATE REPRESENTATIVE
36th LEGISLATIVE DISTRICT
REUVEN CARLYLE

State of Washington
House of Representatives

FINANCE
CHAIR
APPROPRIATIONS
APPROPRIATIONS SUBCOMMITTEE ON EDUCATION
GOVERNMENT OPERATIONS & ELECTIONS

September 30, 2013

Honorable Jay Inslee
Governor
State of Washington
P.O. Box 4002
Olympia, WA 98504-0002

Dear Governor Inslee:

As chair of the House Finance Committee, I am writing to respectfully request that your Administration fully engage and participate in the formal development of a financing plan for the Yakima River Basin Water Resource Management plan.

Section 11 of Second Substitute Senate Bill 5367 (Chapter 11, Laws of 2013) contains language regarding financing and funding distributions:

- *At least one-half of the total costs to finance the implementation of the integrated plan must be funded through federal, private, and other nonstate sources, including a significant contribution of funding from local project beneficiaries.*

Given the current volatility of commitments from the federal government regarding funding of public infrastructure projects, it is particularly important to develop a robust, flexible, usage-based funding plan associated with the beneficiaries of this regional plan that protects state taxpayers. As you know, in 2013 many legislators supported funding of the first phase of the management plan from the Capital Budget strictly contingent upon the responsible development of a broader, user-oriented financing plan for the vast majority of the project.

Further, section 11 also requires the state treasurer to provide supplemental information to the financing plan that:

- *Identifies and evaluates potential new local financing sources to pay for a significant local contribution towards the overall costs of the Yakima integrated plan's implementation.*

As the September 29, 2013 Seattle Times indicated, there are numerous unknown factors including total project cost, prioritized use of proceeds across sectors and federal participation. Thus, in my view, the need for modest incremental financing options to mitigate state revenue risk is imperative. While it has been made clear by proponents of the project that all out of stream water user costs will

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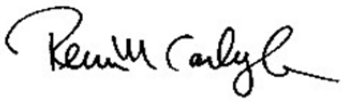
be born by direct beneficiaries, surprisingly no financing plan exists at this stage. Such a financing plan is vital to protect state taxpayers, ensure the overall project's success and, for many legislators, necessary for any further consideration of support.

There are a number of specific options to consider for payment of potential future debt services associated with the above referenced financing plan, some of which may include:

- Annual agricultural and regional household user fee
- Property value usage based fee or regional public tax
- Regional water public utility tax
- Special purpose taxing district within the region

Given your broad leadership to date, I fully respect and appreciate your prioritization of long-term environmental and economic stewardship within the Yakima River Basin region. On behalf of the Finance Committee, our team is fully supportive of working with you, the state treasurer, interest groups and stakeholders and the public to develop a responsible financing plan that protects the interest of taxpayers statewide.

Best regards,



Reuven M. Carlyle
Chair, Finance Committee

Copy: Jim McIntire, Washington State Treasurer
Sen. Andy Hill, chair, Senate Ways & Means Committee
Sen. Jim Honeyford, chair, Capital Budget Committee, Ways & Means
Rep. Hans Dunshee, chair, House Capital Budget Committee
Rep. Judy Warnick, House Capital Budget Committee
Rep. Bruce Chandler, 15th Legislative District
David Schumacher, director, Office of Financial Management

SECTION 11. **Sec. 1.** A new section is added to chapter 90.38 RCW to read as follows:

(1)(a) It is the intent of the legislature for the state to pay its fair share of the cost to implement the integrated plan. At least one-half of the total costs to finance the implementation of the integrated plan must be funded through federal, private, and other nonstate sources, including a significant contribution of funding from local project beneficiaries. This section applies to the total costs of the integrated plan and not to individual projects within the plan.

(b) The state's continuing support for the integrated plan shall be formally reevaluated independently by the governor and the legislature if, after December 31, 2021, and periodically thereafter, the actual funding provided through nonstate sources is less than one-half of all costs and if funding from local project beneficiaries does not comprise a significant portion of the nonstate sources.

(2) The department shall deliver, consistent with the intent of this section, a cost estimate and financing plan that addresses the total estimated cost to implement the integrated plan and analyzes various financing options. The cost estimate and financing plan must include a description of state expenditures as of the effective date of this section incurred implementing the integrated plan and proposed state expenditures in the 2015-2017 biennium and beyond with proposed financing sources for each project.

(3) In addition, the office of the state treasurer shall prepare supplementary chapters to the cost estimate and financing plan for the department that:

(a) Identifies and evaluates potential new state financing sources to pay for the state's contribution towards the overall costs of the Yakima integrated plan's implementation;

(b) Identifies and evaluates potential new local financing sources to pay for a significant local contribution towards the overall costs of the Yakima integrated plan's implementation;

(c) Considers the viability, and evaluates the advantages and disadvantages of various financing mechanisms such as revenue bonds, general obligation bonds, and other financing models;

(d) Identifies past, current, and anticipated future costs that will be, or are anticipated to be, paid by nonstate sources such as federal sources, private sources, and local sources; and

(e) Considers how cost overruns of projects associated with the integrated plan could affect long-term financing of the overall integrated plan and provides options for how cost overruns can be addressed.

(4) The department may, in the sole discretion of the department, contract with state universities or private consultants for any part of the cost estimate and financing plan required under this section.

(5) The initial cost estimate and financing plan required by this section must be provided to the governor and the legislature, consistent with RCW 43.01.036, by no later than December 15, 2014, for consideration in preparing the 2015-2017 biennial budget and future budgets. The cost estimate and financing plan must be updated by September 1st of each successive even-numbered year.