

"AN ACT Relating to taxation of timber harvested by public entities."

These sections of House Bill No. 1633 would give Christmas tree growers the tax status of farmers. Specifically, it would exempt Christmas tree plantations from the timber tax and exempt them from sales tax on seedlings, fertilizer, and other spray materials used in producing Christmas trees, as well as exempting them from the B & O tax.

In vetoing these sections, it is important to recognize that Washington already has a tax designed especially for the business of growing trees. Christmas trees are not food, and they are not used to build housing; they are luxury consumption items priced so that anyone can afford them.

The proponents of this measure argue that their tax status is a detriment to their competitive position in the interstate market, a market in which transportation costs are a dominant factor. While I believe that it is important for Washington to reexamine its tax structure in order to mitigate barriers to business development and to enhance the interstate and international competitiveness of our industries, I do not believe that tax policies are effective in offsetting primary business factors such as transportation costs. In addition, the competitive market for Christmas trees is not comparable to the "price taker" market faced by producers of agricultural products, in which suppliers of perishable products have greater difficulty in passing on any portion of their tax burden. Furthermore, I do not believe it is appropriate to extend a preferential tax status designed for producers of food to the producers of non-food luxuries simply for the purpose of improving a competitive market position, especially when this measure shows no promise of producing additional jobs for Washington.

With the exception of sections 4 through 7, House Bill No. 1633 is approved.\*

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## CHAPTER 316

[Engrossed Substitute Senate Bill No. 4418]

### IRRIGATION

AN ACT Relating to irrigation; creating new sections; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

**NEW SECTION.** Sec. 1. (1) The legislature finds that:

(a) The wise management and utilization of the state's water resources is in the best interests of the citizens of the state of Washington;

(b) Long-term planning of water uses and water supply projects is necessary to assure our state's water resources will be managed and utilized with the vision to maximize long-term benefits to assure that long-term opportunities are not permanently lost based on short-term conditions;

(c) Future allocations of water shall be considered in conjunction with an analysis of competing demands for water resources;

(d) It is the policy of the state to join with federal agencies and others in developing economically feasible, environmentally sound, and water conservation oriented facilities; and

(e) The state is participating in studies now being conducted by the federal government through the bureau of reclamation in the Yakima river and Columbia river basins for the purpose of determining plans for the proper development and utilization of the state's water resources under sound financing arrangements.

(2) It is the intent of the legislature that additional information be developed on future agricultural needs for water.

**\*NEW SECTION. Sec. 2.** (1) The director of the department of agriculture shall organize a committee including but not limited to irrigation and dry land farmers, irrigation district representatives, agricultural economists, electric utility representatives, fisheries group representatives, and electric ratepayer representatives to conduct a study on water supply availability in the Columbia Basin area. The study shall include the following:

(a) An examination of the potential for expansion of irrigated land in the state;

(b) An evaluation of the alternatives that are available to renew water rights reserved to maintain future options to expand the production of food;

(c) A review of areas in the state in which available water and irrigable land both exist that have a reasonable potential for food production to meet growing demand for food in coming decades;

(d) An analysis of the impact of additional irrigation on the competitive position and profitability of existing agriculture;

(e) A review of the impact of additional irrigation on electricity costs in the Pacific northwest and alternatives for mitigating electrical cost impact;

(f) An analysis of options that facilitate water supply availability for irrigation through conservation and other methods;

(g) A supply and demand analysis of major crops produced in the state including an investigation of alternative crops for those that are in surplus;

(h) A review of available analyses of jobs and economic activity derived from future expansion of other major energy consuming industries and major water uses and their related dependent industries as compared to the jobs and economic activity of future expansion of irrigated agriculture and its related dependent industries. Consistent economic assumptions and methodology shall be used in developing this comparative analysis; and

(i) A review of the bureau of reclamation draft environmental impact statement and other relevant federal reports. The committee organized by the director of agriculture under this section shall not create new data which duplicates the data being developed by the environmental impact statement process.

**(2) *The director of the department of agriculture shall submit a preliminary report by January 1, 1987, and a final report by January 1, 1988, to the governor and the legislature.***

(3) Persons appointed to the committee shall be entitled to reimbursement by the department of agriculture under RCW 43.03.050 and 43.03-.060 for travel expenses incurred in the performance of their duties.

**\*Sec. 2 was partially vetoed, see message at end of chapter.**

**NEW SECTION. Sec. 3.** The director of the department of ecology shall:

(1) Continue to participate with the federal government in its studies of the Yakima enhancement project and of options for future development of the second half of the Columbia Basin project;

(2) Vigorously represent the state's interest in said studies, particularly as they relate to protection of existing water rights and resolution of conflicts in the adjudication of the Yakima river within the framework of state water rights law and propose means of resolving the conflict that minimize adverse effects on the various existing uses;

(3) As a cooperative federal and nonfederal effort, work with members of the congressional delegation to identify and advance for federal authorization elements of the Yakima enhancement project which: Have general public support and acceptable cost-sharing arrangements, meet study objectives, and otherwise have potential for early implementation; and

(4) In developing acceptable cost-sharing arrangements, request federal recognition of state credit for expenditures of moneys from Washington state utility ratepayers.

**NEW SECTION.** Sec. 4. (1) The department of ecology is authorized to transfer funds currently available from Referendum 38, up to one hundred fifty thousand dollars, to the department of agriculture, together with necessary full-time equivalent staff years, for direct, indirect, and contractual purposes to conduct studies required under section 2 of this act.

(2) The department of ecology is authorized to expend up to two hundred fifty thousand dollars of currently available Referendum 38 funds, together with necessary full-time equivalent staff years, for direct, indirect, and contractual purposes to accomplish the activities required under section 3 of this act.

**NEW SECTION.** Sec. 5. This act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the Senate March 8, 1986.

Passed the House March 5, 1986.

Approved by the Governor April 4, 1986, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State April 4, 1986.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to section 2(2), Substitute Senate Bill No. 4418, entitled:

"AN ACT Relating to irrigation."

Substitute Senate Bill No. 4418 is an important piece of legislation that maintains the state's strong commitment to the timely completion of the Yakima irrigation enhancement project. The work on the Yakima project should proceed as called for in the bill.

The legislation also restates the Department of Agriculture's legitimate role as an advocate of water resources projects needed to help meet future agricultural water needs, and seeks to preserve the state's option to participate in the second half of a feasible Columbia Basin irrigation project.

Section 2 requires the Department of Agriculture to establish a committee to study water supply availability in the Columbia Basin area and make a preliminary report to the Governor and Legislature by January 1, 1987, with the final report by January 1, 1988.

The primary objective of the study is to develop a formal process to enable the state to maintain its option to participate in a feasible Columbia Basin project.

The Federal Bureau of Reclamation is in the initial stages of preparing its required Environmental Impact Statement (EIS) on the second half of the Columbia Basin project. The draft EIS is scheduled to be available for review and comment in December 1986, and will require a state response. The study timetable called for in section 2(2) could place the state in the untenable position of having to respond to the EIS and indicate a preferred project alternative as much as one full year in advance of completion of its own study.

Therefore, I am vetoing section 2(2) and asking the Director of the Department of Agriculture to develop a time schedule for activities, including dates for preliminary and final reports, and to inform the Legislature of the timetable. The timetable for the Columbia Basin water availability study should be consistent with the schedule for the Bureau of Reclamation's Environmental Impact Statement. That schedule calls for the draft EIS to be available for review in December 1986.

The committee specifically called for in section 2(1) would contain a number of key interest groups vital to the Columbia Basin project decision-making process. Other equally important interests—local government, recognized environmental organizations and Indian tribes—are absent. I am asking the Director of the Department of Agriculture to review the composition of the committee and to make certain that the entire range of interests and organizations necessary to make timely, objective decisions on appropriate participation in the Columbia Basin Project serve on the committee. The committee shall establish and maintain communications with the Governor and the Legislature.

A number of the issues identified for study in section 2(1) have already been at least partially addressed in past studies or ongoing assessments conducted by the state, the Bureau of Reclamation, the Bonneville Power Administration or the Northwest Power Planning Council. Section 2(1)(i) instructs the committee not to duplicate data being developed by the Bureau of Reclamation in its Environmental Impact Statement process. I am further directing the Department to ensure that the committee extends the mandate to avoid duplication, including duplication of previous or ongoing studies, to all elements of the study, not just those items enumerated in section 2(1)(i).

With the exception of section 2(2), Substitute Senate Bill 4418 is approved."

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## CHAPTER 317

[Reengrossed Substitute Senate Bill No. 3182]

### RETIREMENT—REENTER STATE SERVICE—REINSTATEMENT OF WITHDRAWN CONTRIBUTIONS PROVIDED FOR

AN ACT Relating to retirement from public service; amending RCW 41.32.500, 41.40.150, 41.40.120, 44.44.040 and 41.04.330; adding a new section to chapter 41.40 RCW; creating a new section; making appropriations; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington: