



Oregon

Theodore R. Kulongoski, Governor

Water Resources Department

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MEMORANDUM

TO: Water Resources Commission

FROM: Tracy Loudon, Administrative Services Administrator

SUBJECT: Agenda Item J, September 11, 2009
Water Resources Commission Meeting

Implementation of HB 3369

I. Issue Statement and Background

HB 3369, signed by the Governor on August 4, 2009, makes changes to the Water Development Loan Fund, establishes a new grant fund for the construction of water development projects, and directs the Department to develop a state-wide integrated water resources strategy.

II. Discussion

The primary emphasis of HB 3369 can be broken into Loan and Grant programs and investment in an Integrated Water Resources Strategy.

Water Development Loan Fund

Language was added to update the loan program:

- Water Development Projects, by definition, will include projects that maintain and enhance water quality and streamflow.
- Expands definition of security for loan to include “or by other good and sufficient collateral.”
- Expands the potential for fees, and reimbursed costs from applicants.
- Requirement for Commission to adopt rules that establish standards for borrowers.
- Provisions for projects in the Columbia River Basin.

\$10 million in General Obligation Bond authority was provided for a loan to a Columbia River Basin water development project for the 2009-11 Biennium. An additional \$15 million was authorized for General Obligation Bond authority for the 2011-13 Biennium.

Water Investment Grant Fund

HB 3369 establishes a Water Investment Grant Fund to fund water development projects located in the Columbia River Basin. Applicants may include Indian tribes, persons, for-profit or nonprofit cooperatives, but may not include a municipality or a provider of water for municipal purposes. There are a number of requirements incorporated into this grant program including one that requires that a water storage project must be designed to provide that no more than 75 percent of the water be withdrawn and that not less than 25 percent of the new water be dedicated for the purpose of providing net environmental public benefit or in-stream benefit. There was no funding provided for this grant program for the 2009-11 Biennium.

Umatilla Basin Projects

HB 3369 authorizes the Department to issue a grant for water development projects located in the Umatilla Basin, waives the grant application process, and requires that project be designed to provide that no more than 75 percent of the water be withdrawn and that not less than 25 percent of the new water be dedicated for the purpose of providing net environmental public benefit or in-stream benefit. Wording in the bill limits the grant to funding a project that was the subject of the Department's Umatilla Aquifer Recovery Assessment. Funding in the amount of \$2.5 million is provided through SB 5535 and HB 5054 from Lottery Bonds.

Lottery Bonds are tax exempt bonds that are issued to generate revenue to pay for current expenses. Repayment of Lottery Bonds is made through profits generated by the Lottery. The repayment is "backed" by future Lottery revenue. Bonds that finance a variety of state projects are typically issued in the fall of the first fiscal year (e.g., Sept 2009), spring of the first fiscal year (e.g., May 2010) and winter of the second fiscal year (e.g., Feb 2011). A portion of those bonds (\$2.5 million) will be transferred to the Department to issue a grant perhaps as early as May 2010, if the grant recipient is ready to move forward with the Umatilla Basin Project.

Integrated Water Resources Strategy

The Department was directed to develop an integrated state water resources strategy that will meet Oregon's in-stream and out-of-stream water needs.

The strategy would describe Oregon's water needs, objectives of the strategy, actions designed to achieve the strategy, climate change challenges, communications and partnership with key stakeholders, functions and roles played by various state agencies, policy options and recommendations. A report is to be submitted to the Legislature by February 1, 2011 detailing benchmarks and progress toward the development of the strategy.

The Department was also directed to develop, in cooperation with the Department of Environmental Quality and the Department of Fish and Wildlife, data to forecast Oregon's in-stream and out-of-stream water needs.

Funding of \$283,000 and two staff were provided to accomplish this portion of the bill.

III. Summary

The Department has begun implementation of HB 3369 and will be able to provide up to date information at the September meeting of the Commission. Information will include timelines associated with various stages of implementation, a review of the rule making that will need to be accomplished, and a briefing on roles and responsibilities.

Attachment 1: Preliminary Project Timeline for Grants and Loans

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