

2008 Special Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 1069

STATUS: Original

SUBJECT: Creates grant program for water storage studies, authorizes the sale of up \$10 million in lottery backed bonds to fund the grant program, requires a study of potential aquifer recharge projects in the Umatilla Basin, and creates a water mitigation bank in the Umatilla Basin.

GOVERNMENT UNIT AFFECTED: Water Resources Department

PREPARED BY: Paul Siebert

REVIEWED BY: Dawn Farr

DATE: February 5, 2008.

EXPENDITURES:	<u>2007-2009</u>	<u>2009-2011</u>
Grant Program		
Special Payments for grants from bond sale (Other Funds)	\$ 3,500,000	\$ 6,112,626
Cost of issuing the bonds (Other Funds)	\$ 270,000	\$ 0
Debt Service (Lottery Funds)	\$ 494,305	\$ 1,801,410
Personal Services (Other Funds)	\$ 132,868	\$ 241,145
Services & Supplies for positions (Other Funds)	\$ 7,938	\$ 5,424
Subtotal	\$ <u>4,405,111</u>	\$ <u>8,160,605</u>
Umatilla Basin Aquifer Recovery Study		
Services & Supplies to contract for study (General Fund)	\$ 750,000	\$ 0
Umatilla Basin Water Mitigation Bank		
Payment to Contractor for Mitigation Bank (General Fund)	\$ 350,000	\$ 0
Personal Services (General Fund)	\$ 76,888	\$ 131,807
Services & Supplies (General Fund)	\$ 4,082	\$ 2,712
Subtotal	\$ <u>430,970</u>	\$ <u>134,519</u>
General Fund	\$ 1,180,970	\$ 134,519
Lottery Funds	\$ 494,305	\$ 1,801,410
Other Funds	\$ 3,910,806	\$ 6,359,195
Total Funds	\$ <u>5,586,081</u>	\$ <u>8,295,124</u>

POSITIONS / FTE:

Grant Program Positions (NRS 4 and Admin Spec 1)	2 / 1.08	2 / 2.00
Mitigation Bank oversight position (NRS 3)	1 / 0.58	1 / 1.00

EFFECTIVE DATE: Upon Passage

INTERIM JOINT COMMITTEE ON WAYS AND MEANS: Some of the budgetary impact of this bill was reviewed, but not approved, by the Interim Joint Committee on Ways and Means Committee and is not included in the omnibus budget bill to be introduced by the committee.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The bill would create a grant program within the Department of Water Resources (WRD) to pay part of the planning and feasibility studies of potential water conservation, water reuse, or water storage projects. The bill also establishes the Water Conservation, Reuse and Storage Investment Fund and directs that \$10 million in lottery backed bonds be issued. In addition, the bill requires WRD to conduct a regional aquifer recovery assessment study and to create a water mitigation bank in the Umatilla Basin.

Water Conservation, Reuse, and Storage Grants

The bill requires the Water Resources Department (WRD) to establish a grant program to help pay the costs of planning studies needed to evaluate the feasibility of developing water conservation, reuse, or storage projects. Grants made by the program would be limited to up to half the cost of the proposed study and would be capped at \$500,000 per individual grant. The bill further authorizes the issuance of up to \$10 million in lottery backed bonds to fund the grant program. These moneys, and any other moneys appropriated by the Legislature for such use, would be deposited in the Water Conservation, Reuse and Storage Investment Fund, which is created by the bill. Monies in the Fund are continuously appropriated to the Water Resources Department. If all \$10 million in bonds were issued during the 2007-09 biennium, debt service would be \$494,305 Lottery Funds in 2007-09 and \$1,801,410 Lottery Funds in 2009-11. The one-time cost of issuing the bonds would be \$270,000, which would be added to the \$10 million, bringing the total bond issuance to \$10,270,000.

WRD estimates it will need two positions to operate this grant program. These would be a Natural Resource Specialist 4 position and an Administrative Specialist 1 position. The positions would provide program administration, review grant applications, process payments, and provide technical assistance to grant applicants. Costs for these positions can be paid from monies deposited in the Water Conservation, Reuse and Storage Investment Fund. The current fiscal estimate assumes this funding mechanism will be used to support grant program positions, thereby reducing the total amount available for grants. If the bonds were issued in the current biennium, WRD estimates it would be able to make about \$3.5 million in grants in 2007-09, with the remaining \$6.1 million being granted in 2009-11.

During the 2007 Session the Legislature issued the maximum amount of lottery back bonds allowed under the cap established by the Debt Policy Advisory Commission. In addition, the Legislative Fiscal Office does not recommend using debt to pay for planning costs that may or may not lead to a capital project or to support position costs. Both of which are contemplated in this bill.

Umatilla Basin Regional Aquifer Recovery Assessment

The bill appropriates \$750,000 General Fund to the Department of Water Resources (WRD) to conduct an aquifer recovery assessment in the Umatilla Basin. WRD indicates they would contract with a private firm to complete the assessment work. WRD has stated that the contract for the study would be divided into three different deliverables:

1. Development of project scope and prioritization development (\$100,000);
2. Selection of the most feasible site for immediate implementation of a recharge project, further site specific assessment, and development of a conceptual project model for the site (\$300,000); and
3. Implement a pilot aquifer recharging project on the selected site, monitoring of pilot recharge efforts, and verification of the conceptual model created for the site (\$350,000).

WRD has stated that the contract for the study would be compartmentalized for different deliverables so that if at any one point a specific project site did not look feasible, contract work on that site could be terminated and the remaining feasibility study monies could be used to look at other sites.

Umatilla Basin Water Mitigation Bank

The bill appropriates \$500,000 General Fund to the Water Resources Department (WRD) to establish a water mitigation bank for the Umatilla Basin. Of this total approximately \$80,000 General Fund would be used in 2007-09 to create a Natural Resource Specialist 3 position in the Department to develop mitigation procedures, process application for credits and provide oversight. The full biennial cost of the position would be about \$135,000 General Fund in 2009-11. \$350,000 General Fund would be used to contract with an outside entity to establish and operate a Water Mitigation Bank in the Umatilla Basin for trading mitigation credits. WRD believes that if the bank were created in March 2007, credits could be available for use as early as 2009. There are two options for water users to provide mitigation, either completion of an individual mitigation project or purchase of mitigation credits awarded by the Department for completion of a mitigation project that are then sold to the mitigation bank for use by others. The remaining \$70,000 General Fund appropriated in the bill for costs associated with establishing a Umatilla Basin Water Mitigation Bank is not needed in 2007-09.