

**2009 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** HB 3369                      **STATUS:** B Engrossed  
**SUBJECT:** Water supply management  
**GOVERNMENT UNIT AFFECTED:** Water Resources Department, Department of Administrative Services, Department of Environmental Quality, Department of Fish and Wildlife, Parks and Recreation Department, Department of Agriculture, and State Treasurer  
**PREPARED BY:** Monica Brown  
**REVIEWED BY:** Ken Rocco  
**DATE:** June 22, 2009

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	<u>2009-2011</u>	<u>2011-2013</u>
<b>EXPENDITURES:</b> See Comments.		

**REVENUES:**  
See Comments.

**EFFECTIVE DATE:** July 1, 2009.

**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.

**COMMENTS:** The bill directs the Water Resources Commission (WRC) to establish standards for borrowers obtaining loans issued from the Water Development Fund (WDF); modifies allowable fees (including application and loan processing fees); and allows the WRC, in consultation with the State Treasurer, to establish interest rates for WDF loans. The Water Investment Grant Fund is established separate and distinct from the General Fund for the purpose of providing resources to water development project(s) located in the Columbia River Basin. Further, the Water Resources Department (WRD) is directed to develop, and update every five years, an integrated state water resources strategy to meet in-stream and out-of-stream water needs.

The total fiscal impact from this bill is indeterminate at this time as it depends on reinstating a loan program, the volume of loan and grant applications, and establishing fees and interest rates.

Water Development Fund

Article XI-I(1) of the Oregon Constitution establishes the Water Development Fund to provide financing of loans for construction of water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses and for the acquisition of easements and rights of way for water development projects. New bonds and loans have not been issued in several years and WRD currently allocates only 0.17 full-time equivalent position for loan processing. In order to reinstate the program, WRD needs to consult with bond counsel and a financial advisor with the necessary expertise at an estimated cost of up to \$225,000; and may well incur additional costs associated with Department of Justice's review of final loan application forms. The proposed amendment includes delaying the operative date until April 1, 2010, to allow time for WRD to update rules associated with the program and outline an allowable fee structure. The bill provides for an application fee that is the lesser of 0.1 percent of the loan or \$2,500; a processing fee not to exceed 1 percent of the loan; and directs WRD, in consultation with the

State Treasurer, to establish a loan interest rate to cover bond-related costs, reserves, and administrative expenses. The appropriate staff level and program cost will be dependent on the number of applications received and loans authorized. Bond capacity to fund the program is not addressed within this bill.

#### Water Investment Grant Fund

The Water Investment Grant Fund is established separate and distinct from the General Fund for the purpose of providing resources to water development project(s) located in the Columbia River Basin. The fund consists of any money appropriated by the Legislative Assembly; money received by the federal government, state agency, or local government; any bond proceeds authorized for deposit; and proceeds from grant application fees established by the WRC. This bill does not appropriate any money to the fund and revenue from application fees will be dependent on future action by the WRC.

#### Integrated Water Strategy

WRD estimates needing two, full-time Natural Resource Specialist 3 positions to develop the integrated state water resources strategy. One position will be oriented toward scientific activities and coordination and the other will be involved in policy coordination. For 2009-11, the estimated cost of these positions is approximately \$246,000. WRD is required to update the strategy every five years. Future biennia costs would be dependent on results and requirements of the strategy developed.

WRD is required to consult or work in cooperation with the Departments of Fish and Wildlife, Parks and Recreation, Agriculture, Environmental Quality, Administrative Services, and the State Treasurer on various aspects of bonds, rule making, grant and loan application review, project assessments, and the integrated water strategy. A minimal fiscal impact for each agency is anticipated.