

April 10, 2013

To: Chair Dingfelder, Vice-chair Olsen, and members of the Senate Committee on Environment and Natural Resources

RE: Support for Water Development Loan and Grant Fund, SB 839

Dear Chair Dingfelder, Vice-Chair Olsen, and members of the Committee:

We are writing to voice our support for SB 839, which will create a Water Supply Development Account to provide loan and grant funding for a variety of water supply and management projects. We are a diverse group of water users, conservation groups, municipalities and water stakeholders with a common goal: to advocate for common sense water policies that move Oregon's economy, communities, and environment toward a secure water future. With the adoption of Oregon's Integrated Water Resources Strategy (IWRS) in 2012, now is the time to capitalize on momentum and create a funding process for instream and out of stream water supply projects in Oregon that can create jobs to help grow our economy, keep our cities healthy, strengthen vital agricultural production, and protect and enhance our environmental assets.

SB 839 represents the culmination of an in depth, collaborative stakeholder process. What was initially billed as a process that would take two or three meetings, quickly became more than ten intense work sessions that resulted in the bill you have before you today. The undersigned coalition of stakeholders worked with particular dedication to the cause and we are excited to be before you today to promote this vital bill. This letter will briefly discuss some of the highlights of SB 839.

Funding Process for Water Supply Development Projects

At its core, SB 839 creates a process for awarding both loans and grants to undertake water supply development projects. *It is important to keep in mind that this bill creates a funding process and does not affect Oregon water law more generally.* While it is tempting to read more into this bill, we have gone to great lengths to draft a bill that is a funding vehicle only rather than a broad policy statement. SB 839 allows for applicants to propose a host of different project types ranging from new or expanded above ground storage, to water conservation and reuse, to streamflow protection. Oregon needs, and the IWRS and other strategies call for, a diverse mix of project types to meet our future water needs. We have attached a flow chart to this letter that details the funding process.

Scoring and Ranking Projects Based on Public Benefits

SB 839 proposes developing a project scoring and ranking system to aid the Water Resources Department (WRD) in making funding decisions. This system will be based on the degree to which proposed projects provide three categories of public benefits: economic, social or cultural, and environmental. To be eligible for funding, projects must have benefits in all three categories. If Oregon is going to invest significant public funds in a water supply project, that project should be calibrated to provide a range of public benefits in return.

Requirement Applicable Only to Grants for New or Expanded Above Ground Storage

For grants to build new or expanded above ground storage, SB 839 requires that the project dedicate 25% of newly developed water instream. This requirement does not apply to all other project types, though it is an optional way to satisfy the environmental benefit requirement for those project types (see attached flow chart). This important clause represents a negotiated compromise among stakeholders involved in drafting SB 839. We believe that it is a workable



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requirement that does not unduly burden projects and will provide necessary environmental benefits to justify the granting of public dollars.

Seasonally Varying Flow Requirements

One promising strategy for meeting Oregon's future water needs in the face of climate change and a growing population, is to increase our ability to store high winter and spring runoff flows. Though much of Oregon experiences these high flows at certain times of year, it is incorrect to assume that all of this water is "excess" and can be stored. High flows play vital biological, ecological, and physical roles in shaping rivers and habitat for fish and other species. SB 839 sets and protects Seasonally Varying Flows (SVFs) to allow storage of high flows in a way that is compatible with the biological, ecological, and physical needs of rivers, fish, and wildlife.

For a subset of projects seeking funding under the SB 839 process, WRD will be required to set SVFs before funding the project and before issuing any permits, licenses, or certificates involved in the project. WRD may pay the costs of establishing SVFs from the SB 839 account to relieve applicants of this burden. Once SVFs are set for a given river or watershed, all subsequent permit, license, and certificate applications in that watershed will be conditioned to protect those SVFs. This step is vital to ensure certainty for project implementers.

Funding and Fixing Existing, Ongoing Efforts in the Willamette, Deschutes, and Umatilla Basins

SB 839 includes provisions to allow WRD to fund two important existing projects. A diverse group of water users, municipalities and conservation groups have been working with the US Army Corps of Engineers since 1996 on reallocating existing Willamette River storage to both instream and out of stream uses. The process is stalled pending provision by WRD of its share of cost match to the Corps. SB 839 would allow WRD to expend funds from the Water Development Account for this purpose.

The second existing project is a proposal by the Deschutes Water Alliance to work with the Bureau of Reclamation to develop a Comprehensive Basin Plan. As in the Willamette example, SB 839 would allow WRD to expend funds from the Water Development Account to provide match to the Bureau for this important project. We feel it is vital to allow WRD to provide necessary cost match for the Willamette and Deschutes projects because they represent unique opportunities that could be lost if WRD cannot provide timely funding.

SB 839 also contains a negotiated fix to HB 3369's (2009) funding of the Umatilla Basin Aquifer Recharge Project. This change will help the project's proponents successfully complete the first project phase, including a commitment to provide significant environmental benefit. The work group and the undersigned are supportive of these changes and urge your support as well.

Please Support SB 839 for Oregon's Future Economic, Social, and Environmental Health

In sum, SB 839 has the potential to truly move the dial for water management in Oregon. Meeting our water needs will require diverse, innovative projects and strategies and SB 839 has been carefully tailored to do just that. The future of water management in Oregon depends on taking steps now to encourage and fund instream and out of stream water supply development projects. We urge your support for SB 839. Thank you.

Sincerely,

*The Freshwater Trust
The Nature Conservancy
Oregon Environmental Council
Special Districts Association of Oregon*

*League of Oregon Cities
Oregon Association of Nurseries
Oregon Water Resources Congress*

SB 839

Water Supply Development Fund



