



May 19, 2017

**Joint Committee on Ways and Means
Subcommittee on Capital Construction**

Senator Fred Girod and Representative Paul Holvey, Co-Chairs

**Testimony on Senate Bill 5530
Presented by Tom Byler, Director**

Thank you for the opportunity to provide testimony in support of Lottery Bonding authorizations in Sections 5 and Section 6 of Senate Bill 5530, which would provide \$2 million in funding for Feasibility Study Grants and \$30 million for Water Project Grants and Loans. These are both statewide competitive grant programs administered by the Oregon Water Resources Department.

Background

With most surface waters fully allocated in the summer, and increased pressures on groundwater resources in some areas in the state, Oregon needs to invest in planning, assessing, and developing water resources projects to meet the needs of communities, fish and wildlife, agriculture, and our economy.

In recognition of the state's significant water resources challenges, the Department launched a new Water Resources Development Program in 2015 with the help of stakeholders, as well as critical authorization and funding from the Oregon Legislature. The program focuses on helping individuals and communities to address their instream and out-of-stream water resources needs.

The attached handout highlights the various tools included in the program, as well as some of Oregon's water resources challenges in more detail.

Feasibility Study Grants

First established in 2008, Feasibility Study Grants (referred to as the Water Conservation, Reuse, and Storage Investment Fund in Section 6 of SB 5530) fund the qualifying costs of studies that evaluate the feasibility of a proposed water conservation, reuse, or storage project that appears to have merit but is lacking important details necessary to determine whether or not to proceed with implementation. The feasibility study focuses on helping to answer the essential question of, "Should we proceed with the proposed project idea?"

In the 2015-2017 biennium, the Legislature authorized \$773,716 in General Fund and \$2 million in Lottery Bonds to provide funding for Feasibility Study Grants. These studies typically take a year to three years to complete. During this biennium, the Water Resources Commission has awarded \$2.17 million in funding to 31 studies in 17 counties, with eight studies assessing the feasibility of a conservation project, six evaluating water reuse, and 17 conducting studies related to storage projects.

Water Projects Grants and Loans

In 2013, the Oregon Legislature passed Senate Bill 839, establishing the Water Supply Development Account to provide grants and loans for water projects that meet instream and/or out-of-stream needs and result in economic, environmental and social/cultural benefits. Projects must provide benefits in each of these three categories to be eligible for funding. After conducting a series of workgroups, task forces, and rulemaking, the Department kicked off the first funding solicitation for this program in early August 2015.

Funding provided for this program by the Legislature in 2013 and 2015 totaled \$14 million. The Department received over \$50 million in requests for the first funding cycle. In May 2016, the Water Resources Commission awarded \$8.89 million in grants to nine projects. Projects funded for this grant cycle included four conservation projects, one conservation and storage project, one groundwater supply well project, a water reuse project, and a flow restoration project.

The second funding cycle for this program closed on April 5, 2017. The Department received 32 complete applications, requesting approximately \$35 million, of which \$3.4 million was requested in loans. The Department received applications from 21 counties. Project proposals were diverse, ranging from storage projects to flow restoration projects.

2017 Lottery Bond Funding Proposals

➤ *\$2 million for Grants to Evaluate the Feasibility of Potential Water Projects*

The Governor's Recommended Budget and Section 6 of Senate Bill 5530 include the issuance of \$2 million in Lottery Bonds for the Feasibility Study Grants to help project developers evaluate the viability of potential water resources projects.

➤ *\$30 million for Grants and Loans to Implement Water Projects*

The Governor's Recommended Budget and Section 5 of Senate Bill 5530 includes authorization for \$30 million in Lottery Bonds for grants and loans to develop water resources projects that have economic, environmental, and community benefits. Projects are awarded funding through a statewide competitive application process. To date, demand has exceeded available funding.

Conclusion



Water is the foundation for our economies, communities, and ecosystems. In order to ensure that we can meet the needs of Oregonians today and into the future, Oregon must continue to partner with individuals and communities across the state in the development of water resources projects. We urge your support of Sections 5 and 6 of Senate Bill 5530.

Meeting Oregon's Water Resources Needs: 2017 Lottery Bonding Proposals



With most surface waters fully allocated in the summer, and increased pressures on groundwater resources in some areas in the state, Oregon needs to invest in planning, assessing, and developing water resources projects to meet the needs of communities, fish and wildlife, agriculture, and our economy.

In recognition of the significant water resources challenges, the Oregon Water Resources Department in 2015 launched a new Water Resources Development Program focused on helping individuals and communities to address their instream and out-of-stream water resources needs now and into the future.

Water Resources Development Program			
			
	Place-Based Planning	Feasibility Studies	Water Projects
Authorization	2015 – Place-Based Planning (SB 266)	2008 – Water Conservation, Reuse and Storage Grant Program (SB 1069)	2013 – Water Supply Development Account (SB 839)

The Water Resources Development Program is the culmination of years of hard work by the Oregon Legislature, stakeholders, and the Department to develop a suite of tools, as shown in the table above and described below:

- **Place-Based Planning** seeks to empower communities to work collaboratively, in partnership with the state, to understand their instream and out-of-stream water resources needs and identify potential solutions to meet those needs.
- **Feasibility Study Grants** help assess the viability of specific proposals. The grant program can provide up to 50 percent of the costs of studies needed to evaluate the feasibility of developing water conservation, reuse, and storage projects. Examples of studies include: engineering studies; assessments of geology or hydrology; evaluation of financial feasibility; comparative analyses of different water projects; analyses of environmental impacts and public benefits; and other types of studies.
- **Water Project Grants and Loans** allow the state to invest in the actual implementation of water projects that meet instream and out-of-stream needs. Projects must provide economic, environmental, and social/cultural benefits. Examples of the types of projects include: water conservation, water efficiency, water reuse, storage, streamflow protection or restoration, and other water projects that meet a water supply need.

2017-19 Lottery Bond Funding Request

➤ **\$2 million for Grants to Evaluate the Feasibility of Potential Water Projects**

The Governor's Recommended Budget and Section 6 of Senate Bill 5530 include the issuance of \$2 million in Lottery Bonds for Feasibility Study Grants to help project developers evaluate the viability of proposed water resources projects. Studies are selected through a statewide, competitive application process.

➤ **\$30 million for Grants and Loans to Implement Water Projects**

The Governor's Recommended Budget and Section 5 of Senate Bill 5530 includes authorization for \$30 million in Lottery Bonds to provide grants and loans to develop water resources projects that have economic, environmental, and community benefits. To date, demand has exceeded available funding. Projects are selected for funding through a statewide, competitive application process.

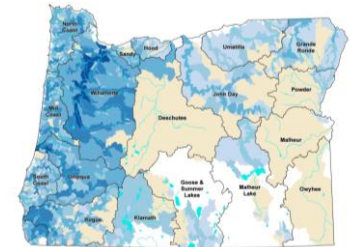
Overview of Water Resources Supply Challenges



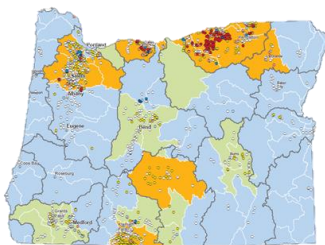
Oregon's 2012 Integrated Water Resources Strategy provides a blueprint for improving our understanding of the status of Oregon's water resources and meeting our instream and out-of-stream needs, now and into the future. By 2050, Oregon's statewide diversion demands may grow by approximately 1.3 million acre-feet/year, while instream demands are also expected to grow.

➤ **Most of the state's surface waters are fully allocated during the summer months.**

The first map on the left above shows where water is available for new live flow allocation during the month of August. Most of the map is color coded brown, meaning no water is available.



By contrast, the map on the right shows where water is available for allocation during the month of January and could be used for storage, with darker colors indicating more water is available.



➤ **In some locations throughout the state, aquifers are no longer capable of sustaining additional development.**

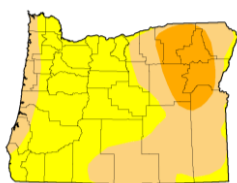
The amount of groundwater stored in aquifers is declining in several areas of the state (see map right). Many areas show little evidence of declines (blue), although in some areas this may be due to a lack of data. Areas that are classified as having medium or high groundwater vulnerability are shown in green and orange, respectively. Red dots show areas where individual wells have shown groundwater level declines in excess of 100 feet.

➤ **Loss of snowpack means less water will be available to meet instream and out-of-stream needs.**

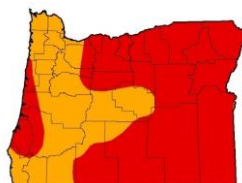
If Oregon's mean annual temperature increases, as projected, the percentage of precipitation that falls as snow will be significantly less. It is expected that Oregon will shift to predominately rain-driven systems over time, which could result in more flashy, flood-prone systems, decreased summertime water supplies, and reduced recharge to aquifers.

➤ **From 2000-2016, the Governor declared drought in at least one county in all but four years.**

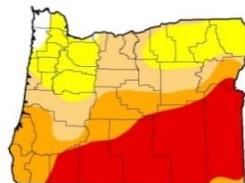
The maps below show the U.S. Drought Monitor for Oregon in August for 2013-2016. White areas of the map indicate no drought, yellow indicates abnormally dry conditions, and other colors indicate drought conditions. The severity of drought is indicated by darker colors, with red indicating extreme drought.



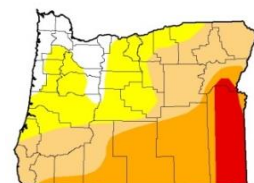
August 9, 2016



August 25, 2015



August 5, 2014



August 6, 2013