SB 839-4 (LC 3890) 4/16/13 (CDT/ps)

PROPOSED AMENDMENTS TO SENATE BILL 839

1 On page 1 of the printed bill, delete lines 5 through 28 and delete pages 2 2 through 8 and insert:

3 "SECTION 1. As used in sections 1 to 15 of this 2013 Act:

4 "(1) 'Newly developed water' means the new increment of water:

5 "(a) Stored for a project providing new or expanded storage;

6 "(b) Allocated to a new use under a secondary water right for a 7 project involving the allocation of water stored under an existing wa-8 ter right; or

9 "(c) Conserved for a project to allocate conserved water under the
10 program described in ORS 537.455 to 537.500.

"(2) 'Seasonally varying flows' means the streamflows needed to
 protect and maintain the following biological, ecological and physical
 functions in a given basin:

14 "(a) Stream channel development and maintenance;

15 "(b) Longitudinal, lateral and vertical connectivity to floodplains;

16 "(c) Sediment transport and deposition;

"(d) Migration triggers for upstream movement of adult fish and
 downstream movement of fry and juveniles;

- 19 "(e) Fish spawning and incubation;
- 20 "(f) Juvenile fish rearing; and

21 "(g) Adult fish passage.

²² "SECTION 2. (1) The Water Supply Development Account is estab-

lished in the State Treasury, separate and distinct from the General
 Fund. Interest earned by the Water Supply Development Account shall
 be credited to the account. Moneys in the account are continuously
 appropriated to the Water Resources Department for use in carrying
 out sections 1 to 15 of this 2013 Act.

6 "(2) The department may expend moneys from the account for:

"(a) Making loans and grants to evaluate, plan and develop instream and out-of-stream water development projects approved by the
Water Resources Commission, including but not limited to projects to:
"(A) Repair or replace infrastructure;

11 "(B) Provide new or expanded water storage;

12 "(C) Improve or alter operations of existing water storage facilities;

"(D) Create new, expanded, improved or altered water distribution,
 conveyance or delivery;

- 15 **"(E) Allocate stored water;**
- 16 "(F) Promote water reuse;

17 "(G) Promote water conservation;

18 "(H) Provide streamflow protection or restoration;

¹⁹ "(I) Provide for water management or measurement; and

20 "(J) Determine seasonally varying flow requirements.

"(b) Paying the related administrative costs of the department in
 carrying out sections 1 to 15 of this 2013 Act.

"(3)(a) In addition to any other permissible uses of moneys in the
 account, the department may expend moneys from the account to
 support:

"(A) Ongoing studies conducted by the United States Army Corps
 of Engineers to reallocate stored water; and

"(B) Comprehensive basin studies conducted by the United States
 Bureau of Reclamation.

30 "(b) Expenditures described in this subsection are not subject to any

grant or loan procedures, public benefit scoring or ranking or other
 requirements or restrictions for grants or loans established under
 sections 1 to 15 of this 2013 Act.

"SECTION 3. Loans and grants may be made from the Water Supply Development Account to persons as defined in ORS 536.007, Indian tribes as defined in ORS 391.802 and nonprofit organizations. If an applicant is required to have a water management and conservation plan, the plan must be submitted to the Water Resources Department and receive approval prior to department acceptance of an application for a loan or grant from the account.

"<u>SECTION 4.</u> (1) A potential applicant for a loan or grant from the
 Water Supply Development Account may participate in a preapplica tion conference with the Water Resources Department.

"(2) At the preapplication conference, the department shall inform the potential applicant of the procedural and substantive requirements of a loan or grant application and of the scoring system used to evaluate loan and grant requests. The department shall assist the potential applicant by identifying known issues that may affect project eligibility for a loan or grant from the account.

"(3) Not less than 14 days before the preapplication conference, the
 applicant must provide the department with adequate project infor mation to prepare for the preapplication conference.

"(4) The applicant may request additional preapplication consulta tion with the department.

"<u>SECTION 5.</u> Applications for a loan or grant from the Water Sup ply Development Account must be in a form prescribed by the Water
 Resources Department and must include the following:

"(1) A description of the need, purpose and nature of the project,
 including what the applicant intends to complete and how the appli cant intends to proceed.

"(2) Sufficient information to allow evaluation of the application
based upon the public benefit scoring and ranking of the project.

"(3) Current contact information for the principal contact, fiscal
officer and involved landowners.

5 "(4) For applications involving physical changes or monitoring on 6 private land, evidence that landowners are aware of and agree to the 7 proposal and are aware that monitoring information is a public record. 8 "(5) The location of the proposed project, using public land survey 9 reference points, latitude and longitude, county, watershed, river and

10 stream mile, if appropriate.

"(6) An itemized budget for the project, including fiscal and ad ministrative costs.

"(7) A description of funds, services or materials available to the
 project.

15 "(8) A project schedule, including beginning and completion dates.

16 "(9) Any conditions that may affect the completion of the project.

17 "(10) A completed feasibility analysis if appropriate.

"(11) Suggestions for interim and long-term project performance
 benchmarks.

"(12) If the application is for a grant, demonstrated in-kind and
 cash cost match of not less than 25 percent of the amount of the grant
 sought from the account.

"(13) If the application is for a loan, evidence demonstrating ability
to repay the loan and provide collateral.

²⁵ "(14) Letters of support for the proposed project.

"(15) If required by the department, a description of consultations
 with affected Indian tribes regarding the project.

²⁸ "(16) Any other information required by the department.

²⁹ "<u>SECTION 6.</u> (1) The Water Resources Commission shall adopt rules ³⁰ establishing a system for scoring and ranking projects to determine

which projects are to be awarded loans and grants from the Water 1 Supply Development Account, including but not limited to the appli- $\mathbf{2}$ cation of minimum criteria designed to achieve the outcomes de-3 scribed in section 8 of this 2013 Act. The system shall be based on the 4 public benefit categories described in section 7 of this 2013 Act. The $\mathbf{5}$ commission shall make the loan and grant funding decisions once each 6 year. Applications must be filed with the Water Resources Depart-7 ment. The department shall accept an application for a loan or grant 8 at any time, but shall establish a yearly deadline for the consideration 9 of a pool of applications. 10

"(2) The department shall conduct a preliminary review of applica-11 tions to check for completeness, eligibility and minimum requirements 12 upon receipt of each application. The department shall return incom-13 plete applications to the applicant. The department shall provide pub-14 lic notice by posting new funding applications on the department's 15 website for a 60-day period prior to reviewing the applications. The 16 department shall provide for the receipt of public comment on the 17 applications during the 60-day period that applications are posted on 18 the department's website. 19

"(3) The department shall forward applications that have passed 20preliminary review, along with any comments received from applicants 21or the public, to a technical review team consisting of representatives 22of the Water Resources Department, the Department of Environ-23mental Quality, the State Department of Fish and Wildlife, the State 24Department of Agriculture, the Oregon Business Development De-25partment, affected Indian tribes, any collaborative body established 26by the Governor to address challenges, opportunities and priorities for 27the region affected by the project and additional experts as determined 28by the Water Resources Department. The technical review team shall 29 conduct the initial scoring and ranking for the projects described in 30

the applications, consider comments from applicants and the public and make loan and grant funding recommendations to the commission. The commission shall determine the final scoring and ranking of projects and make the final decision regarding which projects are awarded loans or grants from the account. Before the commission makes a final decision on an application, the commission shall offer one additional opportunity for public comment.

"(4) The department is not required to obligate all available account
moneys during a funding cycle. Any available account moneys that are
not obligated during a funding cycle shall be carried forward and be
made available for projects in future funding cycles.

"(5) The department shall document the ranking of all applications
 and make the application ranking publicly available after the funding
 decisions by the commission have been published.

"SECTION 7. (1) Projects applying under section 6 of this 2013 Act 15 for funding from the Water Supply Development Account shall be 16 evaluated based upon the public benefits of the project. The evalu-17 ation must consider both positive and negative effects of a project. The 18 three categories of public benefit to be considered in the project eval-19 uation are economic benefits, environmental benefits and social or 20cultural benefits. Each category of benefits shall be given equal im-21portance in the evaluation of a project. The technical review team 22described in section 6 of this 2013 Act shall use the evaluation system 23to assign initial scores and rankings to projects. The Water Resources 24Commission shall use the evaluation system to assign final scorings 25and rankings to the projects. The commission shall award loan and 26grant funding from the account to the projects that have the greatest 27public benefit and will best achieve the outcomes described in section 288 of this 2013 Act. 29

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"(2) The evaluation of economic benefits for a project shall be based

on the changes in economic conditions expected to result from the
 project, including but not limited to conditions related to:

3 "(a) Job creation or retention;

4 "(b) Increases in state, local or tribal government revenues;

5 "(c) Increases in efficiency or innovation;

"(d) Enhancement of infrastructure, farmland, public resource
lands, industrial lands, commercial lands or lands having other key
uses; and

9 "(e) Enhanced economic value associated with tourism or recre-10 ational or commercial fishing, with fisheries involving native fish of 11 importance to Indian tribes or with other economic values resulting 12 from restoring or protecting water in-stream.

"(3) The evaluation of environmental benefits for a project shall be
 based on the changes in environmental conditions expected to result
 from the project, including but not limited to conditions related to:

16 "(a) A measurable improvement in protected streamflows that:

17 "(A) Restores the natural hydrograph;

18 "(B) Restores floodplain function; or

"(C) Supports fish species that are state or federally listed as sen sitive, threatened or endangered species;

"(b) A measurable improvement in ground water levels that en hances environmental conditions in ground water restricted areas or
 other areas;

24 "(c) A measurable improvement in the quality of surface water or
 25 ground water;

26 "(d) Water conservation;

"(e) Increased ecosystem resiliency to climate change impacts; and
"(f) Improvements that address one or more limiting ecological
factors in the project watershed.

30 "(4) The evaluation of the social or cultural benefits for a project

SB 839-4 4/16/13 Proposed Amendments to SB 839 shall be based on the changes in social or cultural conditions expected
to result from the project, including but not limited to conditions related to:

4 "(a) The promotion of public health and safety and of local food
5 systems;

6 "(b) A measurable improvement in conditions for members of mi-7 nority or low-income communities, tribal communities or other com-8 munities traditionally underrepresented in public processes;

9 "(c) The promotion of recreation and scenic values;

"(d) Contribution to the body of scientific data publicly available in
 this state;

"(e) The promotion of state or local priorities, including but not
 limited to the restoration and protection of native fish species of cul tural significance to Indian tribes; and

"(f) The promotion of collaborative basin planning efforts by the
 use of a place-based integrated water resource planning approach un der the state integrated water resources strategy.

"SECTION 8. (1) The Water Resources Commission shall design the
 minimum criteria for the project scoring and ranking system described
 in section 6 of this 2013 Act to achieve the following outcomes:

"(a) The issuance of grants or loans only to projects that provide
benefits in each of the three categories of public benefit described in
section 7 of this 2013 Act.

²⁴ "(b) Preference for partnerships and collaborative projects.

"(c) The funding of projects of diverse sizes, types and geographic
 locations.

"(d) If a project proposes to divert water, preference for projects
 that provide a measurable improvement in protected streamflows.

29 "(2) The Water Resources Department shall review the loan and 30 grant program on a biennial basis to assess to what extent the outcomes described in subsection (1) of this section are being achieved, and shall report the review findings to the Water Resources Commission. The commission shall modify the project selection process as necessary to better achieve the outcomes described in subsection (1) of this section.

6 "<u>SECTION 9.</u> (1) The recipient of a grant from the Water Supply 7 Development Account must agree to the conditions set forth in sub-8 section (2) of this section if the grant is for the development of a new 9 or expanded above-ground storage facility that:

10 "(a) Impounds surface water on a perennial stream;

"(b) Diverts water from a stream that supports state or federally
 listed sensitive, threatened or endangered fish species; or

13 "(c) Diverts more than 500 acre-feet of water annually.

"(2) Twenty-five percent of the newly developed water from a
 project described in subsection (1) of this section must be dedicated to
 in-stream use.

"SECTION 10. (1) A project that receives a loan or grant from the
 Water Supply Development Account must:

"(a) Demonstrate social or cultural benefits and economic benefits
 sufficient to qualify the project under the scoring and ranking system
 described in section 6 of this 2013 Act; and

22 "(b) Demonstrate environmental benefits:

"(A) By dedicating 25 percent of conserved water or newly developed
 water to in-stream use; or

"(B) If the project is not subject to section 9 of this 2013 Act, that
are sufficient to qualify the project under the scoring and ranking
system described in section 6 of this 2013 Act.

"(2) As used in this section, 'conserved water' has the meaning
given that term in ORS 537.455.

30 "SECTION 11. If a project dedicates water to in-stream use under

the requirements described in section 9 of this 2013 Act or as allowed 1 under section 10 of this 2013 Act, the Water Resources Department $\mathbf{2}$ shall protect the dedicated water in-stream. Dedicated water may 3 come from newly developed water or from other sources and may be 4 put in-stream at other locations in the watershed if the Water Re- $\mathbf{5}$ sources Department, in consultation with the State Department of 6 Fish and Wildlife, determines that the alternate location would provide 7 greater or equal environmental benefit. The Water Resources Depart-8 ment, in consultation with the State Department of Fish and Wildlife, 9 shall determine the timing of the flows to maximize in-stream benefits 10 in a manner consistent with public health and safety. 11

"SECTION 12. (1) The Water Resources Department shall make a determination as provided under subsection (2) of this section if an application for a loan or grant from the Water Supply Development Account is for a project that requires the issuance of a new water storage or aquifer recharge permit or limited license outside of the official irrigation season and:

18 "(a) Impounds surface water on a perennial stream;

"(b) Diverts water from a stream that supports state or federally
 listed sensitive, threatened or endangered fish species; or

21 "(c) Diverts more than 500 acre-feet of surface water annually.

"(2) The department shall review a completed application for a 22project described in subsection (1) of this section to determine whether 23seasonally varying flow requirements have been established under this 24section for the stream of interest. If the department determines that 25the requirements have not been established, the department shall es-26tablish seasonally varying flow requirements before issuing a loan or 27grant from the account. For purposes of establishing the require-28ments, the department may rely upon existing scientific data and 29 analysis or may fund new data and analysis. The department may use 30

account moneys to pay the cost of establishing seasonally varying flow
 requirements and to pay other costs directly related to project devel opment.

4 "(3) The department shall develop methods and standards for es-5 tablishing seasonally varying flows in consultation with the State De-6 partment of Fish and Wildlife and affected Indian tribes. Once a 7 seasonally varying flow requirement is established for a stream of in-8 terest, there is a rebuttable presumption that the flow requirement is 9 accurate.

"(4) The Water Resources Department shall condition the loan or grant applicant's new water storage permit and resulting certificate, new aquifer recharge permit and resulting certificate or new limited license associated with a project receiving a grant or loan from the account to protect the seasonally varying flow requirement in effect at the time the loan or grant is issued for the project.

16 "(5) If the department receives an application for a water permit 17 or limited license after a seasonally varying flow requirement has been 18 established for the identified source stream under this section, the 19 department shall condition any water permit and resulting certificate 20 or any limited license issued as a result of the application as necessary 21 to protect the seasonally varying flow requirement.

"(6) Prior to applying conditions to a permit described in subsection
(4) or (5) of this section, the department must complete a determination of water availability and verify that the permit applicant has
complied with any requirements imposed by statute, rule or department policies.

27 "<u>SECTION 13.</u> (1) Before loan or grant moneys are expended from 28 the Water Supply Development Account for any construction project, 29 the recipient must obtain all applicable local, state, tribal and federal 30 permits and show that the project complies with local land use laws. Project materials must include a notation indicating that Water Re sources Department funding was used for the project.

"(2) Project completion and operation must comply with applicable
local, state, tribal and federal laws and permitting requirements.

5 "(3) Loan or grant recipients must complete and operate the funded 6 project as described in the loan or grant application. Before com-7 mencing implementation of a project funded with account moneys, the 8 recipient must demonstrate to the satisfaction of the department that 9 the public benefits identified for the project, including any environ-10 mental benefits proposed at a location other than the project site, will 11 be realized in a timely fashion.

"(4) At regular intervals, and upon completion of the project, the 12loan or grant recipient must submit updates to the department that 13 describe the completed work, the public benefits achieved and project 14 expenditures. The recipient must regularly measure and report the 15water diverted and used from the project. The recipient must monitor, 16 evaluate and maintain the project for the life of the loan, or for a 17 specified number of years for a grant, and provide annual progress 18 reports to the department. The department may impose other 19 project-specific conditions by noting the conditions during project 20evaluation and including the condition in the funding agreement for 21the project. 22

"(5) The department may terminate, reduce or delay funding for a
project if the loan or grant recipient fails to comply with any provision
of subsections (1) to (4) of this section.

²⁶ "<u>SECTION 14.</u> (1) The Water Resources Commission shall adopt ²⁷ rules establishing standards for borrowers obtaining loans issued from ²⁸ the Water Supply Development Account. The commission shall design ²⁹ the standards to ensure that all loans have a high probability of re-³⁰ payment and that all loans are adequately secured in the event of a default. The commission shall solicit comments from the Oregon Department of Administrative Services and the State Treasurer when designing the standards. The standards may include, but need not be limited to, standards that give preference to entities with ad valorem taxing authority.

6 "(2) If the Water Resources Department approves the financing for 7 the implementation of a water development project, the department 8 and the applicant may enter into a loan contract, secured by a first 9 lien or by other good and sufficient collateral in the manner provided 10 in ORS 541.740.

11 "<u>SECTION 15.</u> The Water Resources Department may enter into 12 water service contracts to recover all or a portion of moneys expended 13 from the Water Supply Development Account. Moneys received 14 through the water service contracts, or as repayment of account loans, 15 must be deposited in the account.

"SECTION 16. Section 17, chapter 907, Oregon Laws 2009, is amended to
 read:

¹⁸ "Sec. 17. (1) As used in this section, 'critical ground water storage ¹⁹ project' means an underground or below-ground storage of river water in a ²⁰ critical ground water area designated under ORS 537.730 for use in:

21 "(a) Aquifer storage and recovery as described in ORS 537.534 and 22 streamflow augmentation and restoration; or

"(b) Recharging ground water basins and reservoirs as described in ORS
537.135 and streamflow augmentation and restoration.

"(2) The Water Resources Department may issue a grant under this section only for a critical ground water storage project that is located in the Umatilla Basin and that meets the conditions described in this section.

"(3)(a) [Except as provided in subsection (4) of this section, notwithstanding ORS 537.534,] If the project uses artificial recharge to recharge an
alluvial aquifer that is not confined, the project must be designed:

SB 839-4 4/16/13 Proposed Amendments to SB 839 "[(a)] (A) To provide [for no more than 75 percent of new stored water to be withdrawn and for not less than 25 percent of the new water to be dedicated for the purpose of providing] net environmental public benefits [or in-stream benefits] in an amount equal to at least 25 percent of the water stored by the project; and

6 "[(b)] (B) To the extent practicable, to [return dedicated new stored water 7 for stream] deliver any net environmental public benefit water to be 8 provided in the form of in-stream flow augmentation at a time of year 9 that the Water Resources Department, in consultation with the State De-10 partment of Fish and Wildlife and relevant tribal governments, determines 11 will provide the maximum net environmental public benefit or in-stream 12 benefit.

13 "(b) For purposes of determining whether a project described in this 14 subsection produces the required net environmental public benefit, the 15 project shall be considered to be for the development of not more than 16 25,000 acre-feet of aquifer recharge as described in a final grant report 17 submitted by the grantee to the department.

"(4) If more than 25 percent of the funding for an aquifer storage and 18 recovery project is from grants of state moneys and is not subject to repay-19 ment, the project must be designed to [dedicate for the purpose of providing] 20provide net environmental public benefit [or in-stream benefit a percentage 21of the new stored water created by the project] in an amount that equals or 22exceeds the percentage of funding for the project that is from grants of state 23moneys. The Water Resources Department shall manage the [dedicated in-24crement of new stored water] amount of water provided for net environ-25mental public benefit [and in-stream benefit] in the form of in-stream 26flow. 27

(5) On or before the earlier of six years after the issuance of the ground water recharge permit or the date the water right certificate is issued, the department shall quantify and legally protect in-stream the increment of new 1 water returned in stream from a project described in this section.

"(6) The department shall require as a contractual condition for issuing $\mathbf{2}$ the grant, and as a condition of any new ground water recharge permit or 3 water right certificate issued for the project, that if the project receives 4 grants or loans from state moneys other than a grant issued under this sec- $\mathbf{5}$ tion or other state moneys used to complete the feasibility design and 6 pilot phase of project development funded by a grant under this sec-7 tion, the project must be operated in a manner that actually dedicates the 8 percentage of new stored water for net environmental public benefit or in-9 stream benefit that the project was designed to dedicate for those purposes. 10 "(7) This section does not limit the authority granted the Environmental 11 Quality Commission or the Department of Environmental Quality under ORS 12 chapter 468B. 13

14 "(8) This section is repealed January 2, 2030.

¹⁵ "SECTION 17. At the request of the grantee, the terms and condi-¹⁶ tions of a grant approved by the department under section 17, chapter ¹⁷ 907, Oregon Laws 2009, prior to the effective date of this 2013 Act shall ¹⁸ be amended to replace the terms and conditions originally imposed for ¹⁹ the grant with terms and conditions similar to the terms and condi-²⁰ tions imposed for grants issued under section 17, chapter 907, Oregon ²¹ Laws 2009, as amended by section 16 of this 2013 Act.

"SECTION 18. (1) The Governor, or a designee of the Governor, shall convene a work group composed of members the Governor or designee deems to be appropriate and to be sufficiently representative of agricultural, municipal, conservation and tribal interests and of other groups having an interest in water resources development.

"(2) The work group shall review the structure established for water
development project loans and grants under sections 1 to 15 of this 2013
Act and develop any proposals for changing the structure. The review
may include but need not be limited to possible changes in the long-

1 term structure of the decision-making process regarding:

"(a) The appropriate role of the state in providing loan and grant
funding for multipurpose water resource development under sections
1 to 15 of this 2013 Act; and

"(b) The decision-making process for the allocation of newly developed water from projects for which the uses of the water were not
specified in the funding application.

8 "(3) The work group shall meet at times and places specified by the
9 Governor or the designee of the Governor.

"(4) The work group shall submit a report in the manner provided
 in ORS 192.245, including any recommendations for legislation, to the
 Governor and to an interim committee of the Legislative Assembly
 related to natural resources no later than October 1, 2013.

14 "(5) The Water Resources Department shall provide staff support
 15 to the work group.

"(6) Members of the work group are not entitled to compensation, but may be reimbursed for actual and necessary travel and other expenses incurred by them in the performance of their official duties in the manner and amounts provided for in ORS 292.495. Claims for expenses shall be paid out of funds appropriated to the department for purposes of the work group.

"<u>SECTION 19.</u> Section 18 of this 2013 Act is repealed on the date of
 the convening of the 2014 regular session of the Legislative Assembly
 as specified in ORS 171.010.

25 "<u>SECTION 20.</u> Section 12 of this 2013 Act applies to projects for
26 which a new water storage or aquifer recharge permit or new limited
27 license is issued on or after the effective date of this 2013 Act.

"<u>SECTION 21.</u> This 2013 Act being necessary for the immediate
preservation of the public peace, health and safety, an emergency is
declared to exist, and this 2013 Act takes effect on its passage.".
