

**Governor Kate Brown**



The Honorable Fred Girod  
The Honorable Tobias Read  
Co-Chairs, Joint Committee on Ways and Means  
Subcommittee on Capital Construction  
State Capitol  
Salem, OR 97301

Re: HB 5005 and HB 5030 (Water Resources Programs)

Dear Co-Chairs Girod and Read and Members of the Joint Committee on Ways and Means,  
Subcommittee on Capital Construction:

I am writing to express Governor Brown's expectations concerning subsection 1(8) of HB 5005 and section 23 of HB 5030.

#### **HB 5005**

Subsection 1(8) of HB 5005 authorizes \$30,520,000 in general obligation bonds under Art. XI-I(1) of the Oregon Constitution. Proceeds of these bonds may be used for the construction of water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses water. Under the constitutional provision, and implementing legislation in ORS 541.700 to 541.855, the bonds would be issued only after a loan agreement has been executed. In addition, under the implementing legislation, the loan proceeds must be fully secured and repaid by the borrower under specific terms. As a result, our understanding is that these bonds will not be counted against the overall general obligation bond cap for the state.

Of the \$30,520,000 total authorized for water projects, we expect up to \$22,000,000 to be devoted to the water resources project being developed collaboratively by the Northeast Oregon Water Association (NOWA). If, however, NOWA has not entered into a loan agreement within two years of the date when bonds could be issued, we expect that this amount would become available to other eligible projects (along with the \$8 million not reserved for NOWA).

Some parties have expressed concern that the loan funds authorized under subsection 1(8) of HB 5005 might be used to fund water storage projects that would require establishment of "seasonally varying flows" (SVF) and dedication of stored water to in-stream uses if they were funded via the Water Supply Development Account under ORS 541.651 to 541.696 (also known as SB 839). The SB 839 program is just getting underway after extensive work by two task forces and rulemaking by the Oregon Water Resources Commission. To address this concern, we agree that during the next biennium the funds authorized under subsection 1(8) should not be used for water storage projects that would otherwise trigger the SVF and in-stream dedication

requirements of the SB 839 program. During this period, funding for this type of project may be sought through the SB 839 program. As we have many potential users of the Art. XI-I(1) funds that are working on water projects other than storage, we do not expect this limitation to be an issue.

### HB 5030

Section 23 of HB 5030 authorizes the issuance of lottery bonds in the amount of \$11,750,000 for two purposes: (a) “\* \* \* to develop and implement water storage systems and delivery infrastructure, implement conservation and reuse project or provide access to new water supplies” and (b) “\* \* \* to provide grants for place-based planning.”

With regard to section 23(2)(a) of HB 5030 (the \$11 million in net proceeds for the first purpose described above), these funds also are anticipated to be devoted to implementation of the water resources project being developed by the Northeast Oregon Water Association (NOWA)). If, however, the NOWA project does not proceed, or if the state is unable to reach an acceptable funding agreement for the project within two years after the date of bond issuance, we expect the funds would become available for other eligible uses under the integrate water resources development program.

Again, some parties have raised concerns that the proceeds authorized under subsection (2)(a) of HB 5030 might be used to fund new water storage projects that, if funded through the Water Supply Development Account (ORS 541.656), would require the development of seasonally varying flows and the dedication of water to in-stream uses. The NOWA project does not involve uses that would trigger these provisions, and (again) if the NOWA project does not proceed we agree that the funds should be utilized for projects that would not trigger SVFs or instream water dedication requirements under ORS 541.651 to 541.696 (SB 839). Again, there are many types of water projects that provide significant public benefits (in addition to the NOWA project) that can utilize these funds if the NOWA project does not proceed. One way to reassure interests that these funds will not be used in a way inconsistent with SB 839 would be to amend subsection 23(2)(a) to delete the words “storage systems and” in line 40 of the bill as introduced.

As we head into another year of drought in most of Oregon, the urgency of and need for these funds is only increasing. We believe that the water resources funds proposed under HB 5005 and HB 5030 are critical to both the shorter and longer-term sustainability of Oregon’s economy and our environment. If you have any questions concerning these sections of HB 5005 and 5030, please do not hesitate to contact me.

Very truly yours,



Richard Whitman  
Governor Brown’s Natural Resources Policy Advisor

Enc. OWRD 5005 and 5030 Bonding for Water Resources - Summaries

cc. Tom Byler, Director, Oregon Dept. of Water Resources

# Integrated Water Resources Development: Dedicated General Obligation Bonding Proposal



The Governor’s Recommended Budget (GRB) includes investments in water that will grow our economy and lift up rural Oregon to create healthy ecosystems and communities, while furthering implementation of the state’s 2012 Integrated Water Resources Strategy (IWRS). The largest investments are to aid in the development of water resources statewide to meet instream and out-of-stream needs as part of an Integrated Water Resources Development Program.

## Integrated Water Resources Development Program

The GRB proposes a suite of packages through a combination of lottery and dedicated general obligation bonding to provide grant and loan funds to help meet Oregonians’ water needs, supporting all three stages of an Integrated Water Resources Development Program that includes place-based planning, feasibility analysis, and project development.

*Place-based planning* will empower communities and stakeholders to work collaboratively in partnership with the state to understand their water resources needs and identify how they will meet those water needs. *Project feasibility* moves solutions from the conceptual stage to evaluate the viability of specific proposals. *Project finance and implementation* will allow the state to partner with local interests and others to carry out projects that meet instream and out-of-stream needs.

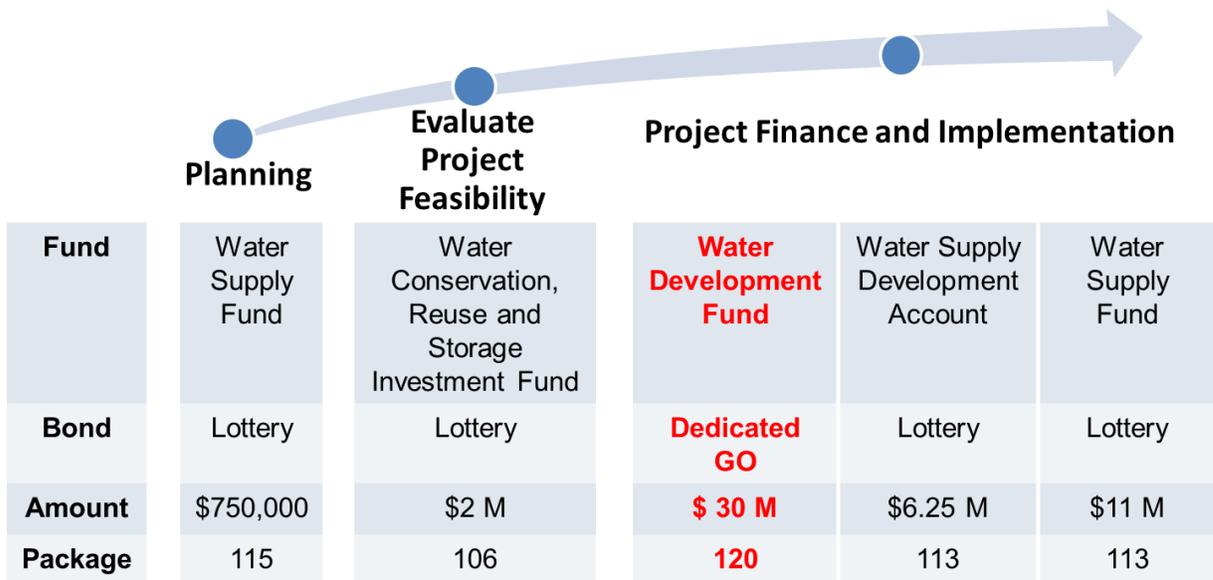
## General Obligation Funds

Oregon Water Resources Department Package #120 recapitalizes the Water Development Loan Fund using \$30 million in dedicated general obligation bonds for the purposes of financing water projects.

The Water Development Fund was established in 1977 authorizing loans for water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses. Although this program has been dormant in recent years, authority and direction for the program remains in Article XI-I of the Oregon Constitution and ORS 541.700-ORS 541.855.

One advantage of the fund is that debt would be repaid by loan repayment, and, therefore, the loan fund is self-supporting with borrowers paying the costs of the loan. In addition, funds are only issued after project(s) are identified and an agreement is signed for repayment by the borrower(s); therefore, debt would not be incurred unless the Department had identified a borrower that satisfies the Department’s requirements.

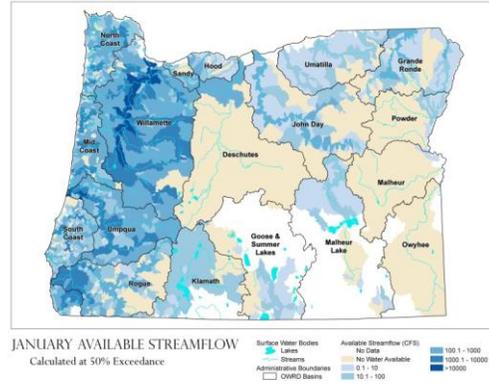
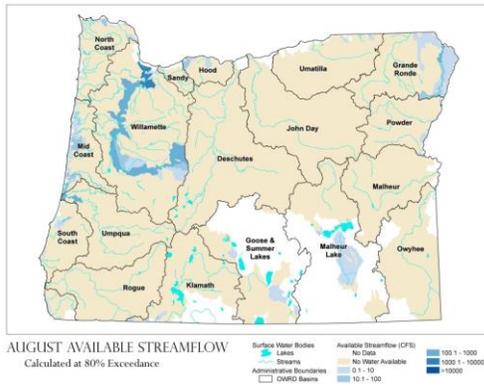
At least a portion of this fund is intended to provide support for infrastructure related to a proposal led by the Northeast Oregon Water Users Association that would provide irrigation water to farmland in the Umatilla Basin.



# 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.

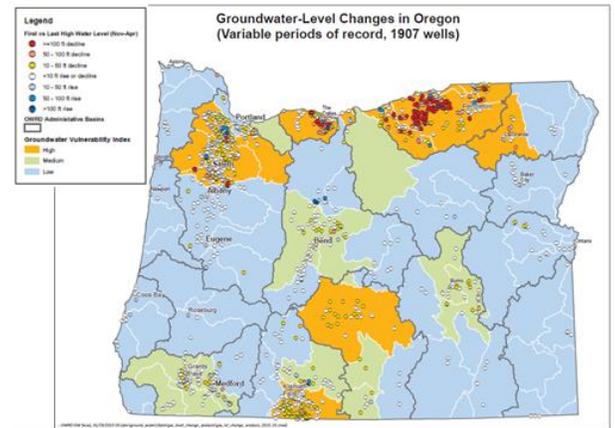


➤ **Most of the state's surface waters are fully allocated during the summer months.**

The 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, groundwater 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), partly due to a lack of data. Areas that are classified as having medium or high groundwater vulnerability are shown in green and orange, respectively.



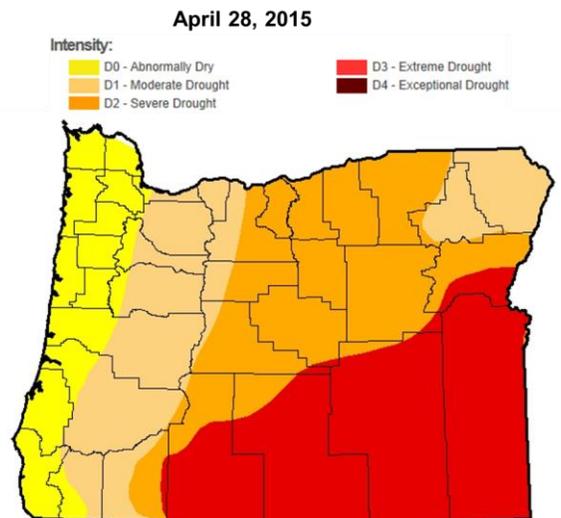
➤ **Loss of snowpack means less water will be available to meet instream and out-of-stream needs during summer and fall months.**

Snowpack in 2015 across the state was less than 50 percent of normal, but precipitation has ranged from about 80 percent to 100 percent of normal.

If Oregon's mean annual temperature increases, the percentage of precipitation that falls as snow will be significantly less. Climate models project a mean annual warming of 1.1 °C to 4.7 °C (2 °F to 8.5 °F) for the Pacific Northwest during this century.

➤ **One or more counties in Oregon have declared drought in nine of the past 15 years.**

The map to the right shows the U.S. Drought Monitor for Oregon in April 2015. White areas of the map indicate no drought, with the intensity of drought indicated by increasingly darker colors. As of April 2015, the Governor has declared a drought emergency in Baker, Wheeler, Crook, Harney, Klamath, Lake, and Malheur counties.



<http://droughtmonitor.unl.edu>

# Integrated Water Resources Development: Lottery Bonding Proposals



## Integrated Water Resources Development Program

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*Place-based planning* will empower communities and stakeholders to work collaboratively in partnership with the state to understand their water resources needs and identify how they will meet those water needs. *Project feasibility* moves solutions from the conceptual stage to evaluate the viability of specific proposals. *Project finance and implementation* will allow the state to partner with local interests and others to carry out projects that meet instream and out-of-stream needs.

## Lottery Funds

**Water Supply Fund** – The Water Supply Fund has been used in the past by the Legislature to provide funding for the Department to perform specific activities. The GRB proposal includes two components:

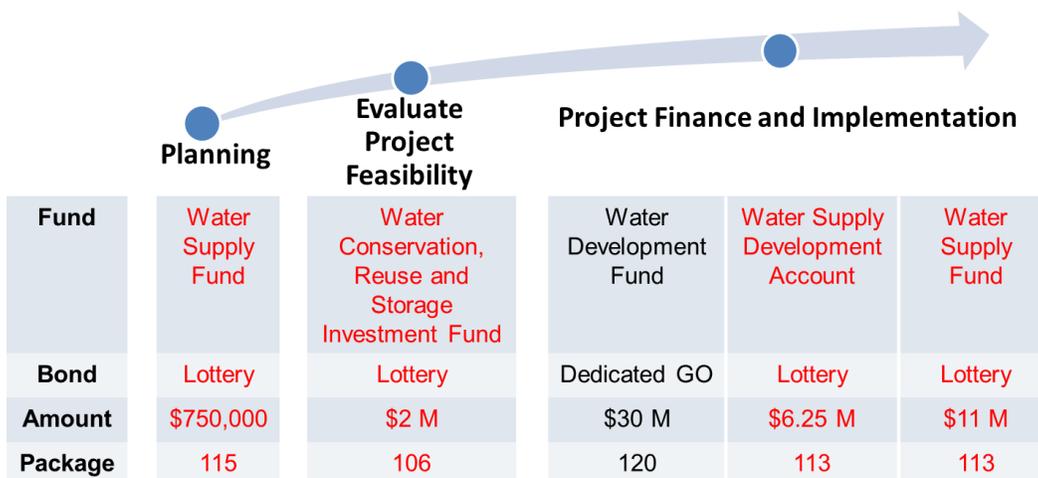
*Place-based planning* is a collaborative approach to planning that helps communities to understand their water resources needs and identify how they will meet those water needs. This request includes \$750,000 in lottery bonds for grants to help communities voluntarily develop place-based integrated water resources plans. SB 266A would provide the Department with authority to issue the grants. (Pkg #115)

*Grant for water supply development project* - The GRB places \$11 million into the Water Supply Fund to provide a grant for a water supply project in the Umatilla Basin. (Pkg #113)

## Water Conservation, Reuse, and Storage Grant Fund

*Project feasibility grants* help project developers evaluate the viability of water resources project proposals. Package #106 would add an additional \$2 million in lottery bonds for SB 1069 (2008) feasibility study grants to evaluate potential water conservation, reuse and storage projects.

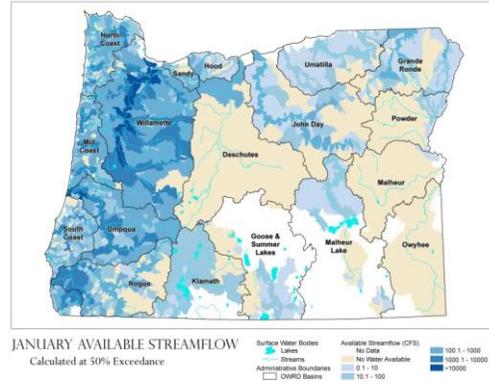
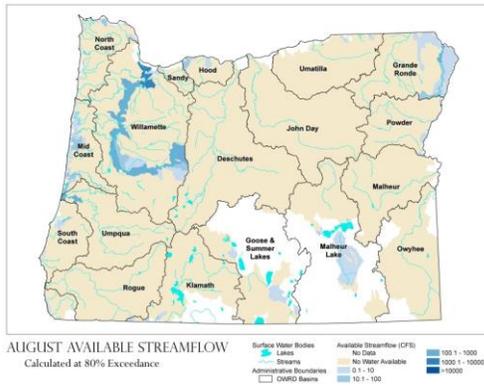
*Water Supply Development Account* - Package #113 recapitalizes the Water Supply Development Account to allow the state to provide grants and loans to support water resources projects that have economic, environmental and social benefits.



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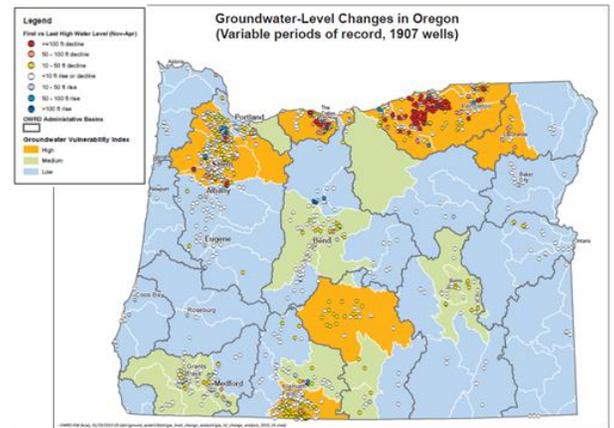


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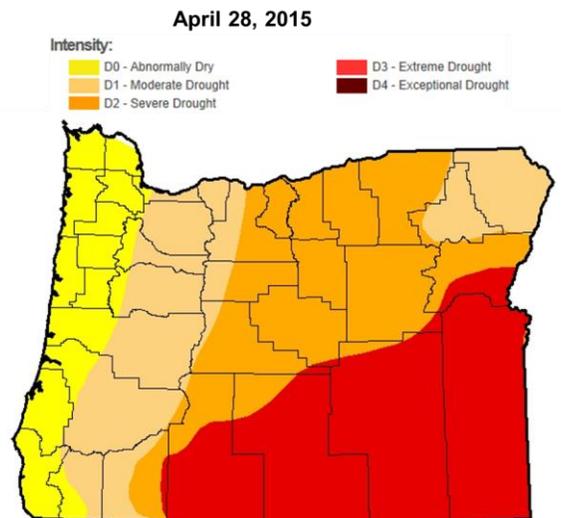
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