



**May 7, 2021**

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

**Senator Fred Girod and Representative Paul Holvey, Co-Chairs**

**Testimony in Support of Sections 13 and 14 of Senate Bill 5534  
Presented by Tom Byler, Director**

Thank you for the opportunity to provide testimony in support of water-related Lottery Revenue Bonding in Sections 13 and 14 of Senate Bill 5534.

**Request**

Section 13 would provide \$20 million in funding for the Water Resources Department's Water Project Grants and Loans funding opportunity (Water Supply Development Account). This is a statewide competitive opportunity that provides funding to implement instream and out-of-stream water projects that provide economic, environmental, and social/cultural public benefits. In addition to the \$20 million included in the bill, the Department's Governor's Recommended Budget seeks an additional \$15 million to be sold earlier in the biennium, in order to make up for the \$15 million that was authorized in 2019 but the bond sale was cancelled due to the revenue impacts of COVID-19. Without this \$15 million and an earlier than the end of the biennium sale date for the bonds, the Department will be unable to offer a 2022 grant cycle, creating a significant gap for entities seeking grant funding for water projects.

Section 14 would provide \$500,000 to the Feasibility Study Grants funding opportunity (Water Conservation, Reuse, and Storage Investment Fund). This competitive statewide opportunity provides funding to cover up to 50 percent of the costs of studies to investigate the feasibility of developing water conservation, reuse, and storage projects. Please note that SB 5534 incorrectly places the funds into the Water Supply Fund instead of the correct account, which is the Water Conservation, Reuse and Storage Investment Fund under ORS 541.576. We are requesting that the bill be amended to address this error.

In short, both funding opportunities require an infusion of funds to maintain the ability to award grants annually in the 2021-2023 biennium to address the need for water projects. This is a critical time for state investment as the federal government is looking to make significant investments in water infrastructure and may require cost-match. More information on the two funding opportunities and the need to invest in water projects is discussed below.

**Background**

With most surface waters fully allocated in the summer, a changing climate, and increased pressures on groundwater resources in some areas in the state, Oregon needs to invest in identifying, investigating, and implementing water resources projects to achieve a secure water future for all Oregonians and Oregon's environment, economy, communities, and cultures.

The Water Resources Development Program works to achieve a secure and balanced water future that meets instream and out-of-stream water needs. The program builds partnerships and incentivizes Oregonians to pursue integrated and innovative solutions for complex water challenges and an uncertain water future. This program partners with Oregonians to implement [Oregon's 2017](#)

[Integrated Water Resources Strategy](#) through recommended actions such as Place-Based Planning, Feasibility Study Grants, and Water Project Grants and Loans.

Both the Integrated Water Resources Strategy and [100-Year Water Investment Vision](#) identify the need for investment in water projects and infrastructure. The 100-Year Water Investment Vision specifically notes an underinvestment in built and natural infrastructure.

### Water Projects Grants and Loans – Section 13 of SB 5534

The Oregon Legislature established the Water Supply Development Account to provide grants and loans for water projects to evaluate, plan, and develop instream and out-of-stream water projects that have economic, environmental, and social/cultural benefits. Projects must provide benefits in each of these three categories to be eligible for funding. Projects are awarded funding through a statewide competitive application process. Those projects with the greatest public benefits are funded.

Since 2013, the Oregon Legislature has allocated \$29 million in Lottery Revenue Bonds to the competitive Water Projects Grants and Loans funding opportunity (Water Supply Development Account). Funding requests have exceeded fund availability every year (Table 1).

Table 1. Grants Awarded from the Water Supply Development Account

Award Year	Funding Requests Received	# of Grants Awarded	Total Funding Awarded
2016	~\$50 million	9	~\$8.9 million
2017	~\$35 million	4	~\$6.3 million
2018	~\$16 million	8	~\$6.3 million
2019	~\$12.3 million	4	~\$2.4 million
2020	~ \$18.8 million	3	\$4.8 million
2021	~\$10 million	Applications under review, only \$3M available	

Most recently, during the 2019 legislative session, \$15 million of Lottery Revenue Bonds was authorized for project funding; however, reduced lottery revenues due to COVID-19 resulted in cancellation of the spring 2021 bond sale which substantially impacted available funding under the program resulting in:

- **Insufficient funds for 2022 funding cycle** – The 2022 funding cycle will be cancelled without additional funds and the Department will not be able to meet its statutory requirement to hold annual funding cycles. This will likely negatively impact Oregonians and Oregon communities with implementation-ready projects who have diligently worked over time to identify potential water solutions and are ready to implement projects.
- **Fewer applications received** – Understanding that only \$3 million is currently available for projects, potential applicants expressed hesitancy about applying and the Department saw fewer applications.
- **Reduced Funds and Reduced Awards in 2021** – Upon cancellation of the bond sale, and in order to make a 2021 funding cycle possible, the available funds were divided between the 2020 and 2021 grant cycle. In 2021, the Department received nearly \$10 million in funding requests, ranging from ~\$75,000 to over \$2.9 million. However only about \$3 million is currently available to award.

Funding for Water Project Grants and Loans was proposed in policy option package #108 of the Governor’s Recommended Budget, which is included in Section 13 of Senate Bill 5534. Section 13

includes authorization of \$20 million in Lottery Revenue Bonds for the Water Projects Grants and Loans funding opportunity to develop water projects that have economic, environmental, and community benefits. The Governor’s Recommended Budget also included \$15 million in expenditure limitation for previously authorized funding during the 2019 legislative session. In total the Department is seeking \$35 million and would seek an earlier bond sale for the \$15 million intended to make up for the cancelled bond sale.

**Feasibility Study Grants – Section 14 of SB 5534**

The Feasibility Study Grants funding opportunity funds the qualifying costs of studies that evaluate the feasibility of developing water conservation, reuse, or storage projects. A feasibility study evaluates a proposed project to determine *if* and *how* the project should proceed to implementation. Studies investigate the technical, financial, and/or legal feasibility of a project, providing critical information on whether the project is viable and worth pursuing further.

This upfront investment saves time and money and removes barriers for communities wishing to pursue potential water solutions. State funds also allow and incentivize applicants to look at innovative and integrated solutions that address future needs, as opposed to straight replacement of existing, aging infrastructure. Grants require a dollar-for-dollar match. Per statute awards are capped at \$500,000. These studies typically take one to three years to complete.

Interest in the funding opportunity has varied over recent years (Table 2). As the federal government looks to make significant investments into water infrastructure, now is the time for the State of Oregon to co-invest with Oregonians in investigating the feasibility of water conservation, reuse, and storage projects to leverage federal funding. Understanding the feasibility of water projects will also better position projects in the state to be ready to obtain available funds for implementation, including federal funds.

Table 2. Grants Awarded from the Water Conservation, Reuse and Storage Investment Fund

<b>Award Year</b>	<b>Funding Requests Received</b>	<b>#of Grants Awarded</b>	<b>Total Funding Awarded</b>
2016	\$2.3 million	17	~\$1.3 million
2017	~\$500,000	8	~\$410,000
2019	~\$810,000	7	~\$450,000
2020	~\$1 million	7	~\$1 million
2021	~\$1 million	Applications under review, ~\$1 million available*	

\*Awards anticipated in June 2021 with eight applications recommended for funding.

Funding totaling \$500,000 for the Feasibility Study Grants funding opportunity was proposed in policy option package #108 of the Governor’s Recommended Budget, which is included in Section 14 of Senate Bill 5534. As noted above, SB 5534 incorrectly places the funds into the Water Supply Fund instead of the Water Conservation, Reuse and Storage Investment Fund under ORS 541.576. We are requesting that any amendment to the bill address this error.

**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, particularly when faced with a changing climate, Oregon must continue to partner in the implementation of water resources projects. We urge your support of funding for Sections 13 and 14 of Senate Bill 5534.