

State Water-Related Infrastructure Financing Strategies

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DRAFT

Summary

The Western States Water Council (WSWC) infrastructure financing workshop (March 2019) brought together water managers and experts from across the western United States to discuss how individual states fund, structure, and prioritize critical water infrastructure. These presentations highlighted a diverse array of funding mechanisms—ranging from voter-approved bonds and natural resource severance taxes to dedicated sales taxes and local property levies—designed to tackle pressing regional challenges such as aquifer depletion, reservoir sedimentation, and rural water affordability.

Legislative breakthroughs are frequently triggered by natural crises. State agencies have successfully leveraged these periods of public awareness to drive systemic change. States facing regional divisions—often between urban vs. agricultural or groundwater vs. surface water interests—have mitigated conflict by formalizing collaboration. States are increasingly focusing on "shovel-ready" mandates and leveraging state dollars to attract federal and local investment.

The workshop highlighted that there is no single "correct" funding model; rather, the most successful states are those that demonstrate high adaptability—matching their funding structures to their specific geographic, economic, and hydrological realities. Whether through the massive bond scales of California or the localized tax-levying authority of Nebraska, the common denominator for success remains the ability to demonstrate project readiness, manage regional stakeholder interests, and maximize the impact of every state dollar invested.

Key Takeaways

1. **Natural Resource Funding Dependence:** Western states with high extraction industries—such as Colorado, Wyoming, New Mexico, Montana, and North Dakota—rely heavily on mineral, coal, or oil and gas severance taxes to fund their water infrastructure.
2. **The "Shovel-Ready" Push:** States are increasingly moving away from allocating funds to projects that are held up by litigation, water rights, or permitting. New Mexico's strict

readiness timeline and Montana’s focus on providing pre-planning engineering grants serve as frameworks to ensure state funds are spent immediately and efficiently.

3. **The Local Tax Force Multiplier:** Nebraska stands out for granting its local Natural Resources Districts (NRDs) direct property-taxing and irrigator-taxing authority, which allows local communities to generate and leverage hundreds of millions of dollars with minor relative state-level contributions.

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State Infrastructure Water Financing Comparison

State	Primary State Funding Source(s)	Matching / Cost-Share / Funding Requirements	Eligibility Criteria/Funding Target	Key Project Priorities & Unique Structures/Strategies
California	Voter-Approved General Obligation (GO) Bonds	Shifted almost entirely from a loan system to a 100% grant system in the mid-1990s.	Local water, parks, environmental restoration, and habitat agencies.	Large-scale resource acts; has approved over \$27B in bonds since 1990.
Oregon	State lottery funds (~\$70M) and federal SRFs (~\$40M).	Highly reliant on federal and local dollars; utilizes collaborative grants. Irrigators keep 75% of conserved water, dedicating 25% to in-stream flows.	Local grassroots planning groups, watershed councils, and high-performing partners.	Focuses on place-based planning, watershed enhancement, and innovative local multi-use systems (e.g., wetlands; integrating wastewater treatment with hydroponics).
Arizona	Self-leveraged AAA-rated bond market debt (for State Revolving Fund matches).	Leverages SRF programs to provide technical assistance and loans. No state general funds used for match. Offers up to \$50k in non-repayable technical assistance.	Political subdivisions, ACC-regulated private water utilities (for-profit/non-profit), and tribal entities.	Administered by the independent Water Infrastructure Finance Authority (WIFA). First state to lend SRF funds directly to tribes and private, ACC-regulated utilities. Emphasis on disadvantaged community principal forgiveness.
Utah	Dedicated sales tax streams (including a 1/16-cent sales tax to WIRA).	Primarily low-interest revolving loans; state funds also match federal programs. Board of Water Resources manages four distinct state funds.	Water and irrigation companies (mostly non-profit) and political subdivisions.	Accumulating reserve funds in the Water Infrastructure Restricted Account (WIRA) to finance mega-projects exceeding \$1B each (Lake Powell Pipeline and Bear River Project).
Colorado	Natural Resource Severance Taxes (25% allocation to Perpetual Base Fund).	Utilizes subsidized below-market loan programs and Water Plan (Water Supply Reserve Fund) Grants.	Public and private raw-water providers working with CWCB staff.	Leverages an annual "Water Projects Bill" to consolidate state appropriations. Currently collaborating with foundations to bridge a \$20B municipal/industrial water gap.

Wyoming	Mineral Severance Tax Distribution Account. (\$155M/year)	Grants are used for feasibility/planning, with more strict loans requiring local buy-in for construction phases.	Local sponsors, municipalities, and districts.	Governed directly by a Legislative Select Water Committee. The state strategically owns water storage assets in federal reservoirs to generate revenue.
Oklahoma	Subsidized SRF loans (30-40% below market rate) and gross production/severance taxes.	Subsidized Clean Water/Drinking Water loans at 30-40% below market rate. \$300M Credit Enhancement Reserve Fund guarantees loans.	Public entities and municipal systems.	Focuses on retaining large municipal borrowers to subsidize smaller systems and preserve fund credit. Mandates "Water 2060" conservation goals, specifically permitting brackish water to offset fresh water in oil/gas fracking.
Idaho	Legislative appropriations and a 10% administrative fee from the state water bank rental pool.	Requires state-federal partnerships and cost share; recently committed \$20M to match federal infrastructure raises.	Public water districts, irrigation districts, and state agencies.	Driven by a constitutionally empowered Idaho Water Resource Board that can legally own water rights. Prioritizes resolving aquifer depletion via recharge and raising dam/reservoir capacities.
Washington	Dedicated and general obligation bond funds.	High emphasis on local cost-share (e.g., Yakima Basin is a 50/50 state-federal split).	Local conservation districts, public entities, and basin planning groups.	Historically used a "squeaky wheel" crisis approach. Geographically isolated programs (like the Office of Columbia River) use an integrated plan approach where seven distinct water elements must progress at the same rate.
Montana	Coal Tax Trust Fund (Treasure State Endowment) and Natural Resource Extraction Taxes.	Consolidated packaging combining SRF, CDBG, and USDA Rural Development funds.	Small rural municipal systems and regional water districts.	Prioritizes regionalization and technical pre-planning. Developed a unified, single-application form across agencies to minimize administrative burdens for small, low-income rural communities.

South Dakota	Water and Environment Fund (funded via lottery proceeds ~10.5M/yr and bank inspection fees).	Supplemented by DWSRF; offers non-repayable planning grants to small communities (under 1,000).	Municipalities, special purpose districts, and private non-profits.	Prioritizes regionalization and consolidation. Tribal entities are legally eligible, but state/federal court jurisdiction requirements have historically caused a cost-sharing impasse with tribal governments.
Nebraska	State General Fund, Environmental Trust (lottery), and NRD property/occupation taxes.	Water Resources Cash Fund uses a 60% state / 40% local Natural Resources District (NRD) cost-share.	Local Natural Resources Districts (NRDs), municipalities, and public-private sponsors.	Highly decentralized governance utilizing 23 local NRDs with unique property taxing and irrigator occupation tax authority, allowing them to leverage \$75M in local taxes into a \$234M operating budget.
Kansas	State Water Plan Fund (SWPF) (funded by water-use fees and statutory lottery transfers).	Stream Bank Stabilization provides up to 100% cost-share on private lands.	Private landowners (conservation) and public water supply contracting systems.	The state itself pays for only 1% of water investments. Deals with highly divided regional interests: groundwater depletion (Ogallala Aquifer) on the west side vs. reservoir sedimentation on the east side.
New Mexico	Oil and gas Severance Tax Bonding Capacity (directed to the Water Trust Board).	Local match required (10-20% based on Median Household Income). Double-dipping on state general/severance funds is prohibited.	Political subdivisions, state agencies, tribes, acequias, and irrigation/special districts.	Enforces a strict, regimented annual cycle (August–May). Requires Readiness Applications (with active PERs, environmental permits, and water rights) to ensure projects are completely shovel-ready before receiving funds.

California

Voter-Approved Grants

- **Funding Mechanisms:** Since the 1960s, California has relied heavily on voter-approved General Obligation (GO) bonds. While early programs prioritized loans, the state shifted almost entirely to a grant system in the mid-1990s.
- **Financial Scope:** Voters have approved over \$27 billion across multiple resource-focused bond acts since 1990.

California's presentation, delivered by Jeanine Jones (WSWC Chair), highlighted a long-standing history of robust state financial assistance dating back to the early 1900s. Since the 1960s, the state has relied heavily on voter-approved General Obligation (GO) bonds to finance its water programs. A key programmatic shift occurred in the mid-1990s when California transitioned almost entirely from a loan-based system to a 100% grant-based model.

This transition has unlocked unprecedented capital for water, environmental restoration, and habitat projects. Since 1990, California voters have approved over \$27 billion across multiple resource-focused bond acts. This massive scale of voter-supported funding allows the state to manage broad, complex resource challenges on a level unmatched by other western states.

Oregon

Collaborative Solutions & Overcoming Deficits

- **Collaborative Programs:** Oregon focuses heavily on place-based water planning, watershed enhancement, and "Focused Investment Partnerships."
- **Innovative Local Projects:**
 - **Prineville:** Developed a multi-purpose wetland treatment system, dropping infrastructure costs from \$62 million to \$7 million.
 - **John Day:** Upgraded its 1949 wastewater system while integrating a greenhouse hydroponic water reuse system to cultivate medical herbs.
- **Water Conservation:** Through the "Allocation of Conserved Water" program, irrigators keep 75% of conserved water, while the remaining 25% is dedicated to in-stream flows protected by the state.

Doug Woodcock (Oregon Department of Water Resources) outlined the distinct challenges Oregon faces due to a significant investment deficit and a heavy reliance on federal and local dollars. To overcome these financial limitations, the state focuses its efforts on collaborative, grassroots strategies such as place-based water planning, watershed enhancement, and "Focused Investment Partnerships." These programs bring diverse local stakeholders together to plan and prioritize both instream and out-of-stream water needs.

The presentation highlighted innovative municipal solutions that bypassed traditional high-cost infrastructure. For example, the city of Prineville dropped its projected infrastructure costs from \$62 million to just \$7 million by developing a multi-purpose wetland treatment system. Similarly, John Day integrated a greenhouse hydroponic water reuse system into its wastewater upgrades to cultivate medical herbs. To further support water conservation, Oregon utilizes an "Allocation of Conserved Water" program, where irrigators keep 75% of conserved water and dedicate the remaining 25% to protected in-stream flows.

Arizona

Leveraged Debt and Targeted Technical Support

- **Funding Mechanisms:** WIFA manages the State Revolving Fund (SRF), securing state matching requirements through self-leveraged AAA-rated bond market debt rather than state general funds.
- **Program Inclusions:** Arizona is unique in its ability to fund private, ACC-regulated water utilities and was the first state in the nation to extend SRF loans to tribal communities.
- **Technical Assistance:** WIFA offers up to \$50,000 in non-repayable technical assistance alongside construction loans to handle engineering, environmental, or administrative reviews directly.

Sara Konrad presented on the Water Infrastructure Finance Authority of Arizona (WIFA), which operates as an independent body separate from the state's environmental and water departments. Rather than relying on state general funds, WIFA manages its State Revolving Fund (SRF) matching requirements by leveraging self-secured, AAA-rated bond market debt. This financial independence has allowed Arizona to develop highly flexible and progressive lending criteria.¹²

Arizona made history as the first state to extend SRF loans directly to tribal communities, having completed multiple tribal loans to date. WIFA's program is also unique in its ability to fund private, ACC-regulated water utilities. To help small and disadvantaged communities overcome administrative hurdles, WIFA provides up to \$50,000 in non-repayable technical assistance alongside its construction loans, directly handling engineering, environmental, and administrative reviews.¹²

Utah

Dedicated Sales Tax Streams and Large-Scale Pipelines

- **Funding Mechanisms:** The state leverages sales tax revenues to fund projects, channeling a portion into the Construction and Development Fund and slowly scaling up to a full 1/16-cent sales tax to support the Water Infrastructure Restricted Account (WIRA).
- **Mega-Projects:** Utah is actively accumulating reserves in WIRA to help finance major long-term projects projected to cost over \$1 billion each: the Lake Powell Pipeline and the Bear River Project.

Todd Stonely (Utah Division of Water Resources) detailed Utah's robust history of managing state-funded revolving accounts. The Board of Water Resources manages four distinct loan funds, utilizing dedicated sales tax revenues—including an annual sales tax allocation and a 1/16-cent sales tax—to provide low-interest revolving loans to water companies, irrigation companies, and political subdivisions.

Utah is currently leveraging its Water Infrastructure Restricted Account (WIRA) to accumulate long-term reserves. These funds are being strategically set aside to help finance two massive "mega-projects" projected to cost over \$1 billion each: the Lake Powell Pipeline and the Bear River Project. While these funding efforts are not directly tied to the State Water Plan, Utah's planning processes are heavily utilized to identify these long-term regional infrastructure needs.

Colorado

Severance Taxes and Coalition-Building

- **Funding Mechanisms:** Colorado utilizes a highly efficient "Annual Water Projects Bill" to package state water appropriations. Funding relies heavily on a 25% allocation of state severance taxes (primarily oil and gas) to feed its Perpetual Base Fund.
- **Future Funding Initiative:** A diverse coalition of leaders has formed to establish a new, long-term funding goal of \$100 million annually to bridge the state's projected \$20 billion municipal and industrial water gap.

Amy Moyer (Colorado Department of Natural Resources) discussed raw-water project funding managed through the Colorado Water Conservation Board (CWCB). Colorado leverages a highly efficient "Annual Water Projects Bill" to package and streamline state water appropriations through the legislature. The state relies heavily on a 25% allocation of natural resource severance taxes (primarily oil and gas) to feed its Perpetual Base Fund, which distributes subsidized, below-market loans and Water Supply Reserve Fund grants.

Facing a projected \$20 billion municipal and industrial water gap, Colorado has turned to private partnerships and coalition-building. Facilitated by the Walton and Gates Foundations, a diverse group of water leaders has formed to establish a new, long-term funding goal of \$100 million annually. This initiative aims to bridge the state's severe funding gap by bringing all major water users and stakeholders to the table.

Wyoming

Bureaucratic Oversight and State Water Portfolios

- **Funding Mechanisms:** Funded through mineral severance tax revenues, Wyoming utilizes three distinct accounts: Account 1 (New Development; 2/3 grant and 1/3 loan for construction), Account 2 (Rehabilitation), and Account 3 (Dams and Reservoirs).
- **State-Owned Water Assets:** Wyoming strategically owns portions of water storage in various reservoirs (including Buffalo Bill and Palisades) to sell water, resolve interstate compact requirements, and generate state revenues.

Steve Wolff (Wyoming State Engineer's Office) presented on behalf of the Wyoming Water Development Office (WWDO), highlighting the state's highly structured legislative oversight via the Select Water Committee. Wyoming's water programs are funded entirely through mineral severance tax revenues, which are divided into three distinct, creatively named accounts: Account 1 (New Development), Account 2 (Rehabilitation), and Account 3 (Dams and Reservoirs).

For planning and feasibility stages, Wyoming provides 100% grants, but construction projects typically require a 2/3 grant and 1/3 loan split to ensure local stakeholder buy-in. Additionally, Wyoming has a unique state portfolio where it strategically owns water storage assets in various federal reservoirs (such as Buffalo Bill and Palisades). The state manages these assets to sell water,

resolve interstate compact requirements, and generate steady revenue streams back into its water development accounts.

Oklahoma

Subsidized SRFs and Long-Term Targets

- **Funding Mechanisms:** OWRB uses subsidized Clean Water and Drinking Water SRFs with interest rates set at 30% to 40% below the AAA market rate. Large municipal borrowers like Tulsa and Oklahoma City are kept in the pool to preserve the fund's creditworthiness for smaller communities.
- **Innovative Goals:** Under the "Water 2060" initiative, Oklahoma aims to use no more fresh water in 2060 than was consumed in 2012 by encouraging water recycling and permitting brackish water (5,000 to 10,000 ppm TDS) for oil and gas fracking.

Julie Cunningham (Oklahoma Water Resources Board) noted that Oklahoma has successfully funded over \$4.2 billion in projects. The OWRB utilizes subsidized Clean Water and Drinking Water SRFs with interest rates set at 30% to 40% below the AAA market rate. Oklahoma's primary strategy is to keep large municipal borrowers, such as Tulsa and Oklahoma City, in the SRF pool, using their high credit ratings to preserve the fund's creditworthiness for smaller, rural communities.

To support long-term conservation, Oklahoma has established the "Water 2060" initiative, setting a statutory goal to consume no more fresh water in 2060 than was consumed in 2012. The state encourages water recycling and recently passed legislation permitting the OWRB to permit brackish water (5,000 to 10,000 ppm TDS) for oil and gas fracking. This strategy directly offsets freshwater consumption by transferring industrial oil and gas demands to marginal groundwater sources.

Idaho

Water Banking and Future Storage Planning

- **Funding Mechanisms:** IWRB generates revenues by managing a "Rental Pool" water bank, retaining a 10% administrative fee on temporary water transfers.
- **Storage and Infrastructure:** Because Idaho relies on a vulnerable "one-year fill" reservoir system, the state has formed the Water Infrastructure Work Group to present a unified voice in Washington, D.C. The state has committed \$20 million to match federal funding for infrastructure, targeting raises at Anderson Ranch Dam, Island Park Reservoir, and Minidoka Dam.

Jerry Rigby and John Simpson presented the unique constitutional structure of the Idaho Water Resource Board (IWRB), which possesses the legal right to own water rights. The IWRB generates a steady stream of revenue by managing a "Rental Pool" water bank, retaining a 10% administrative fee on temporary water transfers. This funding is used to support revolving loan funds and grants for local feasibility studies.¹³²

Because Idaho relies on a vulnerable "one-year fill" reservoir system, consecutive dry years pose an immediate threat of disaster. In response, the state formed the Water Infrastructure Work Group to present a single, unified political voice to federal partners. Idaho has recently committed \$20 million in state matching funds to secure federal dollars for major reservoir expansions, including raising Anderson Ranch Dam, Island Park Reservoir, and Minidoka Dam.¹³

Washington

The "Squeaky Wheel" and Dedicated Basin Plans

- **Geographic Programs:**
 - **Office of Columbia River (OCR):** Established in 2006 with \$200 million in dedicated bond authority to transition Odessa Plateau farmers from depleting groundwater wells to surface water.
 - **Yakima Basin Integrated Plan:** A 50/50 state-federal cost-share model with the Bureau of Reclamation covering seven balanced elements (including habitat restoration and surface storage).
 - **Streamflow Restoration Program:** Dedicated \$300 million in 2018 to mitigate water impacts from permit-exempt domestic wells.

Jim Skalski (Washington Department of Ecology) explained that the state's funding strategy historically took a "squeaky wheel" approach based on regional crises. A prime example is the Odessa Plateau, where potato farmers were rapidly depleting groundwater wells. To address this crisis, the legislature established the Office of Columbia River (OCR) in 2006 with \$200 million in dedicated bond authority to transition these agricultural users to surface water systems.

Washington also utilizes highly structured, integrated basin-wide programs. The Yakima Basin Integrated Plan operates on a 50/50 state-federal cost-share model with the Bureau of Reclamation, addressing seven balanced elements (including habitat restoration and surface storage) under the agreement that no single element moves faster than another. Additionally, the state dedicated \$300 million in 2018 to its Streamflow Restoration Program to mitigate water impacts from permit-exempt domestic wells.

Montana

Rural Rates and Consolidated Funding Applications.

- **Funding Mechanisms:** Montana utilizes extraction taxes from the Coal Tax Trust Fund to provide "Treasure State Endowment" grants.
- **Integrated Administration:** To minimize bureaucratic hurdles for small towns, the state agencies use a single, uniform application form to co-package funding from SRFs, USDA Rural Development, and Community Development Block Grants.

Anna Miller (Montana DNRC) and Kevin Smith (Montana DEQ) described the immense difficulties of supporting complex water and wastewater systems across sparsely populated, low-income rural areas. Because these small communities have small user bases, they cannot easily absorb high utility rate increases to pay off infrastructure debt. To provide relief, Montana utilizes natural resource extraction taxes from its Coal Tax Trust Fund to distribute "Treasure State Endowment" grants.

To minimize bureaucratic hurdles, Montana's state agencies developed a single, consolidated funding application form. This allows the state to co-package funding from SRFs, USDA Rural Development, and Community Development Block Grants (CDBG), matching communities with the optimal financial portfolio. Furthermore, Montana provides pre-planning grants to help small towns hire engineers and design thoughtful, technically sound projects before applying for construction funds.

South Dakota

Regionalization and Grassroots Support

- **Program Structure:** The state water plan is split into two sections:
 - **Water Facilities / Grant and Loan Program:** Funds smaller discretionary projects up to a \$2M cap.
 - **State Water Resources Management System (SWRMS):** Geared toward larger, federally authorized regional water systems in partnership with the Bureau of Reclamation (BOR), though active projects (like the Lewis and Clark system) are winding down on the South Dakota side.
- **Prioritization & Policy:** The state's top priority is the consolidation and regionalization of water systems.
 - **Small Community Planning Grants:** The state leverages fees from its drinking water State Revolving Fund (SRF) to provide planning grants to communities under 1,000 people, helping them hire engineers to evaluate systems and draft successful construction applications.

Mike Perkovich presented South Dakota's Water and Environment Fund, established in 1992, which receives roughly \$10.5 million annually from lottery proceeds and bank inspection fees. The state plan is split into two programs: the Water Facilities Grant and Loan Program (which funds smaller discretionary projects up to \$2 million) and the State Water Resources Management System (SWRMS), which funds larger, federally authorized regional water projects.

While South Dakota's top priority is system regionalization and consolidation, it has run into a tribal funding impasse. Although tribal entities are legally eligible, the state has never cost-shared with them because state law mandates that contract disputes be settled in state circuit court, whereas tribes require federal court jurisdiction. To support its many small communities of under 1,000 people, the state leverages SRF fees to provide non-repayable planning grants, enabling towns to hire engineers and prepare viable construction applications.

Nebraska

Leveraging Local Property Taxes and Lottery Funds

- **Key State-Administered Funds:**
 - **Water Resources Cash Fund:** Supports water-limited basins (upper half of the state) to enhance groundwater recharge, reduce consumptive use, and protect interstate compacts. Funded via 60% state dollars (half general fund, half Environmental Trust) and 40% local Natural Resources District (NRD) cost-share.
 - **Water Sustainability Fund:** Nebraska's newest major vehicle, receiving \$11M annually from the state general fund. It provides 60/40 cost-share grants for municipal infrastructure, water quality, and supply projects.
- **Nebraska Environmental Trust:** A governor-appointed board that administers competitive grants utilizing approximately \$20M in annual lottery proceeds to fund habitat conservation, recycling, and environmental easements.

Jesse Bradley (Nebraska Department of Natural Resources) discussed Nebraska's highly decentralized, basin-led water governance. The state administers the Water Resources Cash Fund—a cost-share grant program (60% state, 40% local) used to protect water-limited basins and satisfy interstate compacts—and the Water Sustainability Fund, which receives \$11 million annually from the state general fund.

Nebraska's most unique feature is its division into 23 local Natural Resources Districts (NRDs) run by locally elected boards. NRDs hold independent property-taxing and irrigator occupation-taxing authority, allowing them to levy property taxes (up to 4.5 cents per \$100 general levy, plus an additional 1 cent for groundwater management) and an occupation tax on irrigators (up to \$10 per irrigated acre). This localized tax structure allows the NRDs to leverage \$75 million in local property taxes into a massive, collective system-wide operating budget of \$234 million, making local entities the primary drivers of water infrastructure in the state. He discussed DNR's administrative support of the 27-member Natural Resources Commission (half elected by basin, half appointed by the governor).

Kansas

The 1% Investment Gap and Divisive Regional Interests

- **State Water Plan Fund (SWPF):** Established in 1989, the fund is supported by water-use fees (\$12M to \$13M annually) and statutory demand transfers (\$2M from lottery proceeds/EDIF and \$6M from the state general fund). However, the state has not fully transferred the statutory \$8M since 2008 due to budget competition from healthcare and education.
- **A Divided State Portfolio:** Kansas faces a geographic split in water issues:
 - **West Side:** Heavily groundwater-dependent; without intervention, the Ogallala Aquifer is projected to be 70% depleted within 50 years.

- **East Side:** Reservoir-dependent; sedimentation is on track to fill 40% of the state's reservoir storage, threatening municipal supply.
- **Collaborative Action:**
 - **50-Year Water Vision:** Triggered by severe droughts in 2011 and 2012, former Governor Sam Brownback initiated a long-term water vision managed by 14 regional advisory committees (RACs).
 - **Stream Bank Stabilization:** An interagency partnership between the KWO, Department of Agriculture, and Department of Health & Environment pools SWPF funds to provide up to 100% cost-share for voluntary projects on private lands, establishing riparian buffers to reduce sedimentation in downstream reservoirs.

Cara Hendricks (Kansas Water Office) opened with a striking audit finding: the state of Kansas directly pays for only 1% of total water investments within its borders, demonstrating an overwhelming reliance on federal and local funding. The state's primary funding vehicle is the State Water Plan Fund (SWPF), which relies on water-use fees and statutory transfers. However, because of budget competition from healthcare and education, the state has not fully transferred its statutory \$8 million general fund allotment since 2008.

Geographically, Kansas is deeply divided: the west side is groundwater-dependent and faces a 70% depletion of the Ogallala Aquifer within 50 years, while the east side is reservoir-dependent and threatened by severe sedimentation. In response, the state established a 50-Year Water Vision managed by 14 Regional Advisory Committees (RACs) and pools SWPF funds to provide up to 100% cost-share for voluntary Stream Bank Stabilization projects on private lands to reduce reservoir sedimentation.

New Mexico

Rigorous Readiness and Needs-Based Matching

- **Revenue Source:** Funded by New Mexico's severance tax bonding capacity. Ten percent of the state's oil and gas severance revenues—averaging \$20M to \$40M annually—are directed to the fund, with expectations to grow due to prolific production in the Permian Basin.¹
- **Loan-Grant Structure & Needs Testing:** WTB utilizes a loan-grant combination administered by the New Mexico Finance Authority.
 - **Median Household Income (MHI) Test:** NM utilizes a scale to ease the financial burden on low-income communities. Category 1 (MHI above state average) requires a 20% local project match. Category 2 (at average) requires 15%, and Category 3 (less than 75% of state MHI) requires only 10%.
 - **Match Constraints:** Local matches can come from public SRF loans but cannot come from other state general funds or severance tax bond funds, to prevent "double-dipping".

John D'Antonio (New Mexico State Engineer) detailed New Mexico's raw-water financing model, managed by the 16-member Water Trust Board (WTB). The WTB's funding is tied to New Mexico's

severance tax bonding capacity, which directs 10% of the state's oil and gas severance revenues—averaging \$20 million to \$40 million annually—to the fund. WTB utilizes a loan-grant structure and applies a Median Household Income (MHI) needs test, reducing the required local match to as low as 10% for low-income communities.

To ensure state capital does not sit idle, New Mexico enforces a strict "shovel-ready" mandate. WTB requires a rigorous Readiness Application showing proof of secured matching funds, cleared water rights, environmental permits, easements, and updated Preliminary Engineering Reports (PERs) under 2–5 years old. Projects that fail to show compliance by March must submit a formal waiver or lose their allocated funding, ensuring state dollars are spent immediately and efficiently.

Legislative Engagement & Public Support Strategies

States noted several distinct, highly effective strategies emerge for successfully engaging state legislatures and cultivating public support for water infrastructure investments. These strategies focus on turning crises into policy catalysts, building regional coalition structures to minimize localized political division, providing robust transparency reports, and offering tailored local assistance.

1. Capitalizing on Crisis as a Policy Catalyst

Historically, major breakthroughs in legislative authorization and public willingness to fund water infrastructure are directly triggered by natural crises. Successful state agencies utilize these moments of heightened public awareness to drive long-term systemic change:

- **The Drought Impetus (Kansas):** Former Kansas Governor Sam Brownback's landmark "50-Year Water Vision" call to action was directly catalyzed by the historic, severe droughts of 2011 and 2012. The crisis galvanized public and legislative support to address the critical depletion of the Ogallala Aquifer and reservoir sedimentation.
- **The "Squeaky Wheel" Transition (Washington):** Historically, Washington utilized a crisis-driven approach to secure funding. When groundwater depletion on the Odessa Plateau threatened the potato farming economy, the legislature responded by establishing the Office of Columbia River (OCR) in 2006 with \$200 million in dedicated bond authority to transition users to surface water.
- **Extreme Hydrology (California):** The state's extreme swings between multi-year droughts and severe flooding consistently keep water on the front page, enabling the passage of over \$27 billion in voter-approved General Obligation (GO) bonds.

2. Building Collaborative regional Coalitions to Mitigate Division

A primary barrier to legislative funding is regional division (e.g., urban vs. agricultural or groundwater vs. surface water interests). Legislators are hesitant to fund programs if they feel their specific district is not directly benefiting. States successfully overcome this by structuring planning and advocacy through regional, stakeholder-driven coalitions:

- **Regional Advisory Committees (Kansas):** To ensure statewide buy-in, Kansas established 14 Regional Advisory Committees (RACs). These volunteer regional stakeholder groups identify local priorities and conduct annual legislative visits to directly educate their local representatives on regional water needs. This localized, unified advocacy has been crucial in attempting to restore statutory demand transfers to the State Water Plan Fund.
- **The "One Voice" Work Group (Idaho):** To overcome fragmented regional messaging in Washington D.C., Idaho formed the Water Infrastructure Work Group. This group brought together diverse interests (including cattle and agriculture) to speak with a single, unified political voice, which successfully helped position Idaho projects for federal funding under the WIIN Act.
- **Place-Based Planning (Oregon):** Oregon utilizes grassroots, place-based planning groups to bring historically opposing parties into the same room to collaborate on mutually beneficial local water plans.

3. Demonstrating High Return on Investment & Programmatic Progress

Legislatures are highly sensitive to accountability and demand proof of utility before committing ongoing general or dedicated revenues.

- **State of the Resource Reports (Kansas):** To maintain legislative trust, Kansas utilizes "State of the Resource" reports. These annual, regionalized reports show legislators exactly what was accomplished with prior years' funding, reinforcing the message that state dollars are actively protecting and restoring vital resources.
- **The Annual Water Projects Bill (Colorado):** Colorado packages its water appropriations into a single, highly efficient "Annual Water Projects Bill" rather than seeking separate general fund appropriations. This consolidated packaging streamlines the legislative approval process and demonstrates a unified, professional approach to raw-water project management.

4. Direct Public Outreach & Transparent Rate Benchmarking

Building public support requires clearly communicating the true cost of water service and showing how local investments stack up.

- **The Governor's Conference on the Future of Water (Kansas):** Kansas hosts an annual conference that has grown to over 500 attendees, including state legislators, providing a highly visible platform to discuss ongoing water issues and highlight infrastructural success.
- **Water & Wastewater Rates Dashboard (Arizona):** Managed through a partnership between WIFA and ADEQ, this public dashboard helps local utilities "make the case" for rate increases by allowing the public and decision-makers to compare their local utility rates against communities of similar sizes.

5. Bureaucratic Streamlining to Leverage Multi-Agency Dollars

Showing the legislature that state dollars are acting as a "force multiplier" to pull in federal and local matches is a powerful selling point.

- **Uniform Application Process (Montana):** Montana DNRC and DEQ developed a single, consolidated state funding application form. By coordinating bi-monthly and quarterly meetings with federal agencies (like USDA Rural Development), Montana packages multiple funding sources to handle high rural rates. This demonstrates to the legislature that every state dollar appropriated is highly leveraged against federal block grants.

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