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## CHAPTER III. FINANCING STATE WATER RESOURCES DEVELOPMENT

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Water resources development programs at the state level vary tremendously, motivated by local needs and shortfalls in federal programs and tempered by budget restrictions and, recently, by generally soft financial markets. Water development may be a totally local responsibility, as in Delaware and Iowa, where the states have almost no role in financing projects; or the state may take a very active role in funding water development, as do New Jersey and Texas. In this chapter, individual states' programs will be presented in a series of tables depicting their use of different funding sources for water development and the establishment of special funds or loan and grant programs to manage and disburse state funding.

This chapter highlights the states' roles in financing solely state or local water development projects, rather than their part in financing the nonfederal share of federally funded projects. When a state's water development program relies heavily on federally cost-shared projects, however, the mechanisms for raising the nonfederal share are discussed. Whenever possible, actual dollar outlays are presented, although deriving any meaningful aggregate statistics from these data would be quite difficult because of the disparity in reporting and accounting systems used by the different states. When expenditures or authorized spending levels are cited, they are for illustrative purposes only and should not be used to compare state programs.

The information presented in this chapter was collected directly from state water resources and treasury officials. Although CBO made every effort to collect complete, concise accounts of the financing of state water development activities, it was not always possible to do so. An omission, therefore, should not necessarily be interpreted as no activity by the state. When a state expressly indicated a lack of activity, this is so noted.

### SUMMARY OF STATE WATER DEVELOPMENT FUNDING AND FINANCING EFFORTS

In 1981 and 1982, 36 states funded water development, at least in part, through direct appropriations from general revenues. Bonding of one sort or another was used by 32 states (debt financing is prohibited by four states). Twenty-three states issued general obligation bonds, backed by the full faith and credit of the state, while revenue bonds were issued by 11 states. In 11 states, bonding occurred only at the local level. Some form of taxes dedi-

cated solely to water resources development was found in 28 states. Tables 7 through 10 present a state-by-state description of the extent to which each state funded water development through various mechanisms: appropriations from general revenues (Table 7); issuance of general obligation bonds (Table 8); issuance of revenue bonds (Table 9); and dedicated taxes (Table 10). Limitations on spending and targeting of programs are also noted.

Revolving or special funds earmarked for state water development projects currently exist in 27 states. Most are single purpose funds coupled to grant and loan programs for small flood control, recreation, or soil and water conservation projects. Five states maintain revolving funds, however, that may be used to finance a full array of water resource development projects. Matching requirements, interest rates, and payback periods vary considerably from state to state. Tables 11 and 12 present details of each state's use of special funds and loan and grant programs, respectively.

Different regions of the country do not appear to favor a particular source of revenue, nor are different management tools favored regionally. In 1981 and 1982 two groups of states spent the most for water resources--high population states such as California, Pennsylvania, and New Jersey, and energy-exporting states like Wyoming or Texas.

The trend in state water development financing is toward decreased reliance on a single financing method. For example, in an effort to diversify their base of financing tools, several states are currently reassessing their constitutional prohibitions against debt financing through public referendums, which could amend the state constitutions to reverse this tradition. Other states have created new substate management entities with separate ad valorem taxing authority or the authority to bond or to collect water user fees.

Notable examples of innovative local financing and water management are found in Florida, Arizona, Nebraska, and Montana. In Florida, for example, water management districts collect about \$75 million a year from an ad valorem tax on real property and about \$30 million a year from a real estate transfer tax. These revenues are dedicated to water supply projects in the districts. Arizona water management districts are now in the process of implementing a new state water management law, one provision of which mandates metering all groundwater withdrawals and levying a fee of \$2 per acre-foot of groundwater withdrawn. Revenue will be used to finance water augmentation projects. Local natural resources districts in Nebraska levy property taxes and dedicate revenue to local water resources projects.

Dedication of tax revenues for water purposes from energy development or mineral mining is also emerging as an important new source of

TABLE 7. USE OF APPROPRIATIONS FROM GENERAL REVENUES FOR STATE WATER RESOURCES DEVELOPMENT

State	1981-1982 Amount	Comments
Alabama	Not on annual basis	Very small amounts occasionally from revenue sharing used as seed money for local water supply
Alaska	\$1.5 million	For agency administration and water management
	\$535 per capita	For public works projects-- could go to water or sewer projects
Arizona	\$5.0 million	Flood control only, excluding appropriations for flood control loans
Arkansas	\$7.6 million <u>a/</u> (\$3.8 million in fiscal year 1981)	All uses
California	N/A	Used exclusively before 1960; now only for recreation and fish and wildlife costs
Colorado	\$10 million (1981)	From excess revenue in general fund (tax surplus created by yearly expenditure limitations)
Connecticut	\$0	Not used for water development

NOTE: N/A = Not available.

(Continued)

a/ Biennial.

TABLE 7. (Continued)

State	1981-1982 Amount	Comments
Delaware	\$0	All development handled locally
Florida	\$2.1 million	Supplements ad valorem tax revenue of water management districts; other project-specific funding
Georgia	\$179,000	Annual operating budget of water resource agency
Hawaii	N/A	Only for agency administration
Idaho	\$1.5 million <u>b/</u>	\$500,000 in 1969; \$1 million in 1978 for loans and grants for small water resource development projects
Illinois	\$5-6 million	Mostly for salaries and administration of Water Resources Division
Indiana	\$1.6 million in 1980-1981	Only done occasionally
Iowa	\$0	Virtually no state-level water development
Kansas	\$750,000	For grants to local jurisdictions for construction of flood control works
Kentucky	N/A	Used for small community flood control, but recently discontinued because of loss of revenue-sharing funds

(Continued)

b/ Expended through 1982.

TABLE 7. (Continued)

State	1981-1982 Amount	Comments
Kentucky (cont.)	\$500,000	Dam safety program
Louisiana	N/A	Most projects funded through separate appropriations on project-by-project basis, usually for water supply
Maine	\$0	Not used
Maryland	\$0	Not used
Massachusetts	\$0	Only used rarely for small projects
Michigan	\$954,000	Planning and technical assistance to locals; special project appropriation occasionally
Minnesota	\$1.6 million <u>a/</u> \$4.2 million \$816,000	Flood damage reduction Water based recreation Wetland preservation
Mississippi	\$0	Not used
Missouri	\$700,000 <u>c/</u>	Missouri Water Development Fund--currently zero balance
Montana	\$0	Not used
Nebraska	\$3 million	Resources Development Fund
Nevada	\$188,000	For planning and technical assistance, not for construction

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c/ One-time program--not done annually.

TABLE 7. (Continued)

State	1981-1982 Amount	Comments
New Hampshire	N/A	On project-specific basis but only done occasionally
New Jersey	\$0	Not used
New Mexico	N/A	Appropriations from general fund for wastewater treatment only
New York	N/A	Appropriations for state share of federal/state projects, mostly for flood control and recreation
North Carolina	\$2 million	For state portion of federal projects
North Dakota	\$1.4 million <u>a/</u>	Appropriated to Contract Fund
Ohio	\$0	Not done in the past 6-7 years
Oklahoma	\$25 million <u>c/</u>	Seed money to start water development fund for project construction or guarantee revenue bond issue
Oregon	\$0	Not used
Pennsylvania	\$5.2 million	For operation and maintenance of state projects and state share of federal projects
Rhode Island	\$0	Not used
South Carolina	N/A	Very limited appropriations on project-specific basis

(Continued)

TABLE 7. (Continued)

State	1981-1982 Amount	Comments
South Dakota	\$200,000 (\$4 million) <u>b/</u>	Grants to rural water systems
Tennessee	\$0	Use of general revenues now under consideration.
Texas	\$40 million	To Water Development Assistance Fund for loans to local districts
Utah	\$20 million <u>b/</u>	To Revolving Construction Fund between 1947 and 1980
	\$6 million	Grants to municipalities to match federal wastewater treatment grants and rural water and sewer grants
Vermont	\$80,000	Occasionally on project-specific basis
Virginia	\$0	Only once in 1960s, but project never built
Washington	N/A	Set up Reclamation Revolving Account in 1919
West Virginia	\$4.5 million	To Water Development Authority--loans and grants for water supply and wastewater treatment
Wisconsin	\$2.3 million <u>a/</u>	Grants program for lake dredging and cleaning
Wyoming	\$114 million	Transfer to Water Development Account

TABLE 8. USE OF GENERAL OBLIGATION BONDS FOR STATE WATER RESOURCES DEVELOPMENT

State	1981-1982 Amount	Comments
Alabama	\$0	Against state policy
Alaska	\$23 million	Up to 50 percent grants to cities and towns for nonfederal share of water supply and waste-water facilities; bonding also common for local governments; state may issue bonds for major hydro projects
	\$33 million (1978)	Port and harbor development bonds through state DOT
	\$10 million	Village Safe Water Program--nontraditional rural water supply
Arizona	\$0	No deficit financing by current law, but may be recommended to help finance Central Arizona Project
Arkansas	\$100 million	10 percent interest, mostly for surface impoundments for M&I supply
California	\$1.75 billion <u>a/</u>	All water uses
Colorado	\$0	Bonded indebtedness constitutionally prohibited at state level

NOTE: N/A = Not available.

(Continued)

a/ Total authorized to date.

TABLE 8. (Continued)

State	1981-1982 Amount	Comments
Connecticut	\$0	Not used
Delaware	\$0	Not used
Florida	\$0	Not used
Georgia	\$0	Not used
Hawaii	\$6-10 million per year	All water resource functions-- constitutional limit on bonded indebtedness at 15 percent total appraised value of real estate
Idaho	\$0	Not used
Illinois	\$5-6 million	Construction costs mainly for urban flood control; locals provide land, easements, and rights of way; no funds in 1982 because of budgetary constraints
Indiana	\$0	Constitutionally prohibited
Iowa	\$0	Only at local level
Kansas	\$0	Legislature may not encumber future years' revenues
Kentucky	\$0	Not used
Louisiana	N/A	Capital Improvement Bonds for all purposes including water resources
Maine	\$10 million <u>b/</u>	Construction of fishing piers

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b/ One-time program--not done annually.

TABLE 8. (Continued)

State	1981-1982 Amount	Comments
Maine (cont.)	\$25 million <u>b/</u>	Construction of cargo ports
Maryland	\$85 million	50/50 state/local flood control
	\$32 million <u>b/</u>	Containment facility for dredged material
	N/A	Issue periodic bonds to renew shore erosion fund
Massachusetts	\$25 million in 1982 <u>a/</u>	Potable water treatment plant construction--50/50 matching grants
	\$60 million in 1982 <u>a/</u>	Leak detection in water supply delivery systems and system rehabilitation
	\$260 million in 1981 <u>a/</u>	Contributes to Capital Development Fund
Michigan	N/A	Only for state share of sewage treatment plant construction through EPA
Minnesota	\$155 million <u>a/</u>	Water Pollution Control Bonds
	\$2.4 million	Construction of Flood Control Works
Mississippi	\$0	Not used
Missouri	\$75 million	To be issued in 1982/1983; only partially for water resources; 600 million for all purposes over five years

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TABLE 8. (Continued)

State	1981-1982 Amount	Comments
Montana	\$5 million in 1975 <u>b/</u>	Seed money for Renewable Resources Development Fund
Nebraska	\$0	Constitutionally prohibited
Nevada	\$100.4 million <u>c/</u>	M&I supply and flood control
New Hampshire	\$0	Only at local level
New Jersey	\$271 million (1969) \$120 million (1976) \$10 million (1977) \$25 million (1978) \$145 million (1980) \$100 million (1981) \$350 million (1981)	Water Conservation Clean Water Harbor Cleanup Flood Control Natural Resources Hazardous Cleanup Water Supply
New Mexico	\$0	Not at state level
New York	N/A	Primarily for water quality improvement
North Carolina	\$380 million <u>d/</u>	Clean Water Bond Program-- grants for 12.5 percent of EPA sewer projects and 25 percent of water supply pro- ject cost to local jurisdictions
North Dakota	\$0	Not done, but under study to supplement new water supply projects out of Resources Trust Fund

c/ Total issued through 1982.

(Continued)

d/ Expended through 1982.

TABLE 8. (Continued)

State	1981-1982 Amount	Comments
Ohio	\$0	Done in past, but not recently
Oklahoma	\$0	Not at state level; local communities may issue bonds
Oregon	\$23 million \$3.8 million (1981)	Five bond series issued 1979-1981, primarily for irrigation and drainage projects
	N/A	Pollution Control Bonds
	N/A	Small-scale energy loan program bonds
Pennsylvania	\$500 million (1971)	To Capital Budget Fund for flood control and acid mine drainage
	\$300 million (1982)	Public water supply--by referendum to loan fund
Rhode Island	N/A	Used widely by local jurisdictions; state issues primarily for wastewater treatment and water supply facilities
	\$5.2 million <u>b/</u>	State bond issue for planning of Big River Reservoir
South Carolina	\$25 million <u>e/</u>	Not issued in 1981 because of poor economic conditions
South Dakota	\$0	Only at local level
Tennessee	\$0	Only at local level to make Corps and SCS match
<u>e/</u> Total authorized.		(Continued)

TABLE 8. (Continued)

State	1981-1982 Amount	Comments
Texas	\$600 million <u>a/</u>	Water Development Fund-- used to buy local bonds for water treatment and waste- water treatment projects; \$218 million left unsold because of 6 percent interest rate ceiling on state bonds
Utah	\$50 million (\$25 million in 1978; 25 million in 1980)	Construction of several pro- jects authorized by state legislature
Vermont	\$0	Usually at local level; \$120,000 allocated from 1968 bond sale used in 1981 to rebuild Lowell Lake Dam
Virginia	\$0	Only at local level for water supply or nonfederal share of federal projects
Washington	\$25 million	Agricultural water supply bonds put into local Improve- ment Revolving Account
	\$18 million	Emergency water supply bonds put into emergency water project revolving account
West Virginia	\$0	No general obligation bonding at state level; only at local level
Wisconsin	\$76 million (1981) \$85 million (1982)	Wisconsin Construction Fund for 60 percent grants to locals for wastewater treatment plants
Wyoming	\$0	Not used

TABLE 9. USE OF REVENUE BONDS FOR STATE WATER RESOURCES DEVELOPMENT

State	1981-1982 Amount	Comments
Alabama	N/A	Project-by-project; approval by legislature needed, but presently at state ceiling
	\$580 million	Backed by interest on \$450 million invested from oil and gas revenues--IRS ruled it could not be done again
Alaska	\$0	Not used
Arizona	\$0	No debt financing by current law, but may be recommended to help finance the Central Arizona Project
Arkansas	\$0	Not used
California	\$730 million <u>a/</u>	Mostly for power-related facilities
Colorado	\$0	State constitutional prohibition against bonded indebtedness; separate bonding authority set up in 1982, but not active yet
Connecticut	\$0	Only issued at local level by municipal water supply companies; investor-owned companies sell stock to raise development capital

NOTE: N/A = Not available.

(Continued)

a/ Total authorized to date.

TABLE 9. (Continued)

State	1981-1982 Amount	Comments
Delaware	\$0	Not used
Florida	\$0	Not used
Georgia	\$0	Only through substate entities such as Georgia Port Authority; not done at state level
Hawaii	N/A	Only at local level-- Honolulu most successful
Idaho	\$4 million	Bond banking for all water development--temporarily held off market because of high interest rates
Illinois	\$0	Not used
Indiana	\$0	Constitutionally prohibited
Iowa	\$0	Only at local level
Kansas	\$0	Legislature may not encumber future years' revenues
Kentucky	N/A	Used infrequently to meet state obligation toward federal projects
Louisiana	N/A	Occasionally sold by local government
Maine	\$0	Not used
Maryland	N/A	Maryland Port Authority bonds for port improvements

(Continued)

TABLE 9. (Continued)

State	1981-1982 Amount	Comments
Massachusetts	\$0	Not used
Michigan	\$0	Not used
Minnesota	\$0	Only at local level
Mississippi	\$0	Only at local level on project-specific basis
Missouri	\$0	Not used
Montana	\$250 million <u>a/</u>	Large projects only--not implemented yet; repaid with coal severance tax receipts
	N/A	Water Conservation Revenue Bonds
Nebraska	\$0	Constitutionally prohibited; but amendments to change under consideration
Nevada	N/A	Some general obligation bonds backed by pledged revenues
New Hampshire	\$0	Only at local level
New Jersey	\$0	May do it in future
New Mexico	\$0	Interstate Stream Commission has authority to bond, but has not done it yet
New York	\$0	Not used

(Continued)

TABLE 9. (Continued)

State	1981-1982 Amount	Comments
North Carolina	\$0	Port Authority authorized but not done yet
North Dakota	N/A	Only limited use for small irrigation projects--\$3 million ceiling set by legislature
Ohio	N/A	Ohio Water Development Authority markets local bonds as guarantor--mostly for wastewater or water treatment plant construction
Oklahoma	\$11 million	To fund Community Loan Program for water and sewer projects; also done routinely at local level
Oregon	\$0	Not used
Pennsylvania	N/A	Done by local governments and Delaware and Susquehanna River Basin Commissions
Rhode Island	\$120 million <u>b/</u>	For construction of Big River Reservoir--first state revenue bond; Port Authority issues revenue bonds routinely
South Carolina	\$30-40 million	Port Authority issues bonds for dredging and land improvement

(Continued)

b/ Planned, but not executed.

TABLE 9. (Continued)

State	1981-1982 Amount	Comments
South Dakota	\$5 million <u>a/</u>	Board of Water and Natural Resources authority for bonding up to \$1 million per project
	Varies	Substate districts (irrigation, water user, sanitary, watershed) may bond by project
Tennessee	\$0	Not done
Texas	\$0	Not done
Utah	\$0	Not done
Vermont	\$0	Not done
Virginia	\$0	Not done
Washington	\$0	Not done
West Virginia	\$17 million	Issued by Water Development Authority for loans to local jurisdictions to match federal wastewater treatment grants
Wisconsin	\$0	Not done
Wyoming	\$0	Water Development Commission has authority for revenue bonding, but has not used it yet

TABLE 10. USE OF SPECIAL TAXES AND USER FEES FOR STATE WATER RESOURCES DEVELOPMENT

State	1981-1982 Amount	Comments
Alabama	\$0	Not done
Alaska	\$0	Not done
Arizona	\$0	\$2 per acre-foot on ground-water withdrawals authorized, not to be implemented until 1990 for augmentation projects
Arkansas	N/A	10 mill per \$100 real estate value for water and sewer improvements, but not often done
California	N/A	Excess state water project revenues after payment of operating and debt costs available for new water projects
Colorado	\$10 million (1981) \$5 million (1982)	From sales and use taxes
	\$40 million (1980)	Tax surplus--\$30 million allocated to bonding authority in 1982 to begin revenue bonding program
	\$2.5 million (1981)	From Mineral Leasing Fund
Connecticut	\$0	Not used
Delaware	\$0	Not used

(Continued)

NOTE: N/A = Not available.

TABLE 10. (Continued)

State	1981-1982 Amount	Comments
Florida	\$75 million plus annually	Ad valorem tax levied by Water Management Districts
	\$300 million over the next ten years	Five cents/\$100 value real estate transfer tax levied by Florida Department of Revenue and disbursed by request from Water Management Districts
Georgia	\$0	Not used
Hawaii	\$0	Not used
Idaho	\$0	Not used
Illinois	\$0	Not used
Indiana	N/A	Occasionally funds drawn from cigarette tax revenues
Iowa	\$0	Not used
Kansas	N/A	Groundwater management districts collect tax on acreage to pay for adminis- tration of regulatory programs
Kentucky	\$0	Not used
Louisiana	N/A	One-time legislative action to dedicate off-shore oil lease revenues to coastal development
Maine	\$500,000 from state gas tax	Water-related community recreation facilities; grants

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