

TABLE 10. (Continued)

State	1981-1982 Amount	Comments
Maine (cont.)	on boat licensing fees	with 50/50 state/local match
Maryland	\$5.2 million annually from boat registration tax and 3/8 of 1 percent of state gas tax revenue	Waterway Improvement Fund for waterway dredging and debris removal
Massachusetts	\$0	Not used
Michigan	N/A	Boat registration fees and gasoline taxes for water-based recreation
Minnesota	\$1 million <u>a/</u>	Cigarette tax revenue dedicated to acceleration of natural resources projects-- this year, to flood damage reduction in Red River Valley
	N/A	Taconite ore mining taxes help finance water quality or supply development
Mississippi	\$0	Not used
Missouri	\$0	Not used
Montana	\$600,000 <u>a/</u>	0.625 percent of state coal severance tax for water development projects
	\$1.3 million <u>a/</u>	Water Development Program-- from severance tax on extractable minerals

a/ Biennial.

(Continued)

TABLE 10. (Continued)

State	1981-1982 Amount	Comments
Nebraska	\$8 million	Local Natural Resources Districts levy property tax which may be used for all natural resource purposes, including water resources development
Nevada	\$0	Not used
New Hampshire	\$0	Not used
New Jersey	\$2 million	National Pollution Discharge Elimination System (NPDES) fees--run NPDES program
New Mexico	\$1 million in 1981	Rio Grande Basin oil and gas royalties and lease revenue used for water projects in Basin
New York	\$0	Not used
North Carolina	N/A	Boat license fees dedicated to construction of access ramps
North Dakota	\$20 million <u>a/</u>	0.5 percent of oil extraction value into Resources Trust Fund for water supply development
	N/A	Local water resource districts levy up to 4 mill per \$1 property value for water resources development

(Continued)

TABLE 10. (Continued)

State	1981-1982 Amount	Comments
Ohio	\$0	Taxes on coal, oil, gas, and other mineral extraction dedicated to land reclamation
	N/A	Sale of M&I Water from 8 state reservoirs used to fund reservoir operation and maintenance
Oklahoma	\$0	Currently examining dedication of part of oil and gas severance tax
Oregon	\$0	Not used
Pennsylvania	\$1-2 million per year	Revenue from oil and gas leases used for flood control reservoirs, land acquisition
	\$4 million	Revenue from horse race betting to community development loans and grants including water supply
Rhode Island	\$150,000-200,000	From housing rental and timber and gravel sales from state-owned lands, dedicated to Big River Reservoir project
	N/A	User fees for all water supply systems devoted to O&M

(Continued)

TABLE 10. (Continued)

State	1981-1982 Amount	Comments
South Carolina	\$5-6 million	Contributions from personal income tax refunds for fish and wildlife enhancement
	\$15 million	Part of gasoline tax dedicated to water-based recreation and boating.
South Dakota	\$2 million in 1982; 9 million expected in future years	Payments from private pipeline company for coal slurry pipeline water
	\$1-3 million	Six conservancy subdistricts have taxing authority to promote and finance water development
Tennessee	\$0	Not done
Texas	\$0	Not done currently, but under consideration; referendum last legislative session failed
Utah	\$12 million <u>b/</u>	User fees on state-owned irrigation and water supply projects
Vermont	\$120,000	For lake restoration--from special fund set up with pollution penalty payments
Virginia	\$0	Not used

(Continued)

b/ Expended through 1982.

TABLE 10. (Continued)

State	1981-1982 Amount	Comments
Washington	\$0	Not used
West Virginia	\$0	Not done at state level, but some counties dedi- cate coal severance taxes to water development
Wisconsin	N/A	Flood control districts authorized to levy flood damage prevention user fee, but rarely used; inland Lake Renewal districts can but rarely do tax
Wyoming	\$34 million <u>c</u> / (1982)	Water Development Account-- 1.5 percent of coal severance tax plus small percent of oil and gas tax
	\$150 million <u>d</u> / (1986)	
	N/A	
	N/A	Permanent Land Fund--estab- lished from mineral royalties used by Farm Loan Board for small water projects' loans up to \$60 million

c/ Total funds available.

d/ Projected.

TABLE 11. USE OF SPECIAL OR REVOLVING FUNDS FOR STATE WATER RESOURCES DEVELOPMENT

State	1981-1982 Amount	Comments
Alabama	\$0	May be used in future because of demand--would be set up with oil and gas revenues
Alaska	\$0	Not used
Arizona	\$0	Not used
Arkansas	\$1.3 million	Water and sewer
California	\$22.8 million	Withdrawals must be appropriated by legislature
Colorado	N/A	Colorado Water Conservation Board Construction Fund--revolving loan fund for up to 50 percent of any water project--loans at 5 percent interest for 40 years
Connecticut	\$0	Not used
Delaware	\$0	Not used
Florida	\$0	Not used
Georgia	\$0	Not used
Hawaii	\$0	Not used
Idaho	\$700,000 <u>a/</u>	Ten-year maximum repayment--for small projects only; fund is now depleted

NOTE: N/A = Not available.

(Continued)

a/ Expended through 1982.

TABLE 11. (Continued)

State	1981-1982 Amount	Comments
Illinois	\$0	Not used
Indiana	\$2 million	Flood control loans only; \$100,000 limit; 10 years at 1.5 percent interest
Iowa	\$0	Not used
Kansas	\$0	Not used
Kentucky	\$0	Not used
Louisiana	\$0	Not used
Maine	\$0	Not used
Maryland	\$0	Not used
Massachusetts	\$260 million in 1981 <u>b/</u>	Capital Development Fund-- all public works con- struction; 50/50 match for some projects
Michigan	N/A	Waterway Fund; for recrea- tion fund financing, see Table 12
Minnesota	\$155 million <u>b/</u>	State Water Pollution Con- trol Fund--to make loans and grants to communities
	\$22 million	Game and Fish Fund-- various uses

(Continued)

b/ Total authorized.

c/ Biennial.

TABLE 11. (Continued)

State	1981-1982 Amount	Comments
Mississippi	\$0	Not used
Missouri	\$0	Not used
Montana	\$1.3 million <u>c/</u>	Water Development Program Fund--all types of water projects
Nebraska	\$3 million	Resources Development Fund for matching grants to political subdivisions for all types of water projects (See also Table 12)
	\$1.1 million	Water Conservation Fund for matching grants to individual landowners--soil and water conservation projects (See also Table 12)
Nevada	\$250,000	Revolving fund for flood control measures
New Hampshire	\$0	Not used
New Jersey	Varies	Some bond issues used to set up revolving funds; replenished from loan payments, user fees
New Mexico	\$1 million	Improvement of Rio Grande Income Fund (\$4.9 million in fund as of June 1982)
	\$285,000	Water, Research, Conservation, and Development Fund--from annual appropriations

c/ Biennial.

(Continued)

TABLE 11. (Continued)

State	1981-1982 Amount	Comments
New Mexico (cont.)	\$30,000	Ute Reservoir Operating Fund--from annual appropriations (\$98,000 in fund as of June 1982)
	\$21 million <u>d/</u>	Ute Dam Construction Fund--modify Ute Dam to increase reservoir capacity--from severance taxes
New York	\$0	Not used
North Carolina	\$250,000 <u>a/</u> (currently empty)	Hurricane Flood Protection and Beach Erosion Control Fund--interest-free loans to locals with ten years to repay
North Dakota	\$20 million <u>c/</u> potential	Resources Trust Fund--for water supply development
Ohio	\$200,000 <u>d/</u>	Water Maintenance Fund--used for O&M on 8 state reservoirs; replenished by sale of M&I water
Oklahoma	\$25 million	Water Development Revolving Fund--funds all aspects of water development
Oregon	N/A	Pollution Control Fund--grants and loans to local government for wastewater treatment

(Continued)

d/ Total funds available.

TABLE 11. (Continued)

State	1981-1982 Amount	Comments
Pennsylvania	\$300 million	Public Water Supply Loan Fund--not revolving
Rhode Island	\$1 million <u>b/</u>	Water Development Fund--loans to local water supply companies (See also Table 12)
South Carolina	\$0	Not used
South Dakota	N/A	Payments from private pipeline company placed in revolving fund for loans and grants for water projects
Tennessee	\$0	Not used
Texas	\$600 million <u>b/</u>	Water Development Fund--loans to local units for water supply and wastewater treatment (See also Table 12)
	\$40 million	Water Development Assistance Fund (See also Table 12)
Utah	(currently empty)	Construction Fund--any water development purpose
	N/A	Cities Water Loan Fund--for water supply
	N/A	Water Resources Construction and Development Fund--construct, operate, maintain water projects

(Continued)

TABLE 11. (Continued)

State	1981-1982 Amount	Comments
Vermont	\$0	Not used
Virginia	\$36,000	Conservation Small Watershed and Flood Control Area Development Revolving Loan Fund--current balance of \$694,000
Washington	\$20 million <u>a/</u>	Reclamation Revolving Account--to purchase local bonds or make loans to locals for irrigation
	\$75 million	State and Local Improvement Revolving Account
	\$18 million	Emergency Water Project Revolving Account
West Virginia	\$6 million	Water Development Authority Revolving Loan Fund for local share of wastewater treatment grants
Wisconsin	\$0	Not used
Wyoming	\$212 million	Permanent Mineral Trust Fund--from mineral and local severance taxes--for all water development (See also Table 12)
	N/A	Small Water Development Loan Fund--loans up to \$60 million (See also Table 12)

TABLE 12. USE OF LOANS AND GRANTS FOR STATE WATER RESOURCES DEVELOPMENT

State	1981-1982 Amount	Comments
Alabama	\$0	Viewed by state officials as limiting new water supply development
Alaska	\$33 million (1978)	90 percent grants to local governments for port and harbor development
	\$23 million (1980)	Up to 50 percent grants for nonfederal share--any water or sewer project
Arizona	\$354,000	Loans to local units for 25 percent of nonfederal flood control projects
Arkansas	\$2.5 million	Loan and grants for all water development
California	\$115 million <u>a/</u> \$130 million <u>b/</u>	Loans and grants for recreation, fish and wildlife, water distribution systems
	\$175 million <u>b/</u> \$82 million <u>a/</u>	Grants and loans for improvement of domestic supply systems

NOTE: N/A = Not available.

(Continued)

a/ Expended through 1982.

b/ Total authorized.

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
Colorado	N/A	Loans for projects that will increase beneficial use of water and for M&I supply--up to 50 percent of project cost at 5 percent interest over 40 years
Connecticut	N/A	Through Economic Development Authority--low interest loans to municipal water supplies to comply with safe drinking water act; now expanded to upgrade systems in general
Delaware	\$0	Not used
Florida	\$300 million over next ten years	Only for land acquisition; first \$2 million per year match-free; rest 80 percent state, 20 percent water management districts
Georgia	\$0	Not used
Hawaii	\$0	Not used
Idaho	\$1 million	\$50,000 grant limit with 50/50 local match
	N/A	Long-term, low interest loans through state revenue bonds--multiple use projects encouraged; no dollar limits
Illinois	\$0	Not used

(Continued)

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
Indiana	\$2 million	Short-term, low interest loans for flood control projects (See also Table 11)
Iowa	\$0	Not used
Kansas	\$0	Not used
Kentucky	\$0	Equipment only loaned for land management improvement
Louisiana	N/A	Test Well Program--50/50 state/local matching grant for water supply exploration
Maine	\$500,000	Water-based recreation facilities grants--50/50 match
Maryland	\$2 million <u>c/</u>	100 percent interest-free loans to local government for shore erosion projects
Massachusetts	\$25 million	Water treatment plant construction grants to local units--50/50 match
Michigan	N/A	50/50 matching grants for water-based recreation and waterways

(Continued)

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

d/ Biennial.

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
Minnesota	\$2.2 million <u>d/</u>	Soil and water conservation grants with variable match
	\$155 million <u>b/</u>	Grants and loans for construction of sewage treatment plants (See also Table 11)
	\$450,000 <u>c/</u>	75 percent matching grants for flood damage reduction
Mississippi	\$0	Not used
Missouri	\$11.8 million	Grants to local jurisdictions to match federal wastewater treatment plant grants
Montana	\$5 million <u>b/</u>	Loans and grants for conservation, management, and development of water resources
Nebraska	\$3 million	Up to 75 percent state grants; any purpose
	\$1.1 million	Up to 75 percent state grants--for soil and water conservation
Nevada	\$0	Not used
New Hampshire	\$0	Not used
New Jersey	Varies	Most bond issues set up revolving funds for grant or loan programs with various interest rates, repayment

(Continued)

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
New Jersey (cont.)		periods, matching requirements
New Mexico	\$1.6 million	Loans from Water Reservoirs Purposes Income Fund (for irrigation projects) at 2.5 percent interest (\$15.6 million in fund as of June 1982)
New York	\$0	Not used
North Carolina	\$250,000 <u>a/</u> (currently empty)	Interest free loans to local units for hurricane flood protection and beach erosion control
	\$380 million <u>d/</u>	Grants to local units for water supply (25 percent) and wastewater (12.5 percent) facilities
North Dakota	\$1.4 million	From Contract Fund--15-50 percent cost sharing with local units for all water development--all grants
Ohio	\$50,000 <u>e/</u> \$250,000 <u>b/</u>	Conservancy District Loan Fund--interest free loans to conservancy districts for all purposes
Oklahoma	\$25 million	From Water Development Revolving Fund--emergency grants or loans for all purposes

(Continued)

e/ Total funds available.

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
Oregon	N/A	Water Development Loan Program--drainage or irrigation project loans; interest rate tied to bond sale interest
	N/A	Pollution Control Fund--grants and loans to local governments for wastewater treatment
	N/A	Small Scale Energy Loan Program--loans for hydroelectric development
Pennsylvania	\$4 million	Community facilities grants from horse racing revenue
Rhode Island	\$1 million <u>b/</u>	Loans to local water supply companies; \$150,000 maximum at 8 percent interest
South Carolina	\$0	Not used
South Dakota	\$200,000	Grants to rural water systems
	\$300,000 <u>c/</u>	Loan to Webb rural water system
	\$600,000 <u>c/</u>	Grants for regional hydrology studies
	\$700,000	Loans for construction of any water resources project at 0-10 percent interest

(Continued)

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
South Dakota (cont.)	\$500,000	Loans for water resources studies; interest free until borrower obtains a water right
Tennessee	\$0	Not used
Texas	\$40 million	Loans to local units for water development and wastewater treatment
Utah	N/A	Cities Water Loan Fund for water supply
Vermont	\$0	Not used
Virginia	\$0	Not used
Washington	\$25 million	Grants and loans for agriculture water supply
West Virginia	\$6 million	Grants and loans for water supply and wastewater treatment (See also Table 11)
Wisconsin	\$78 million	Sewage treatment plant grants
	N/A	Nonpoint source control grants
	\$2.3 million	50 percent grants to local units for lake dredging and clearing

(Continued)

TABLE 12. (Continued)

State	1981-1982 Amount	Comments
Wisconsin (cont.)	\$180,000 <u>a/</u> \$0 (1983)	50 percent grants to local units for flood plain mapping
Wyoming	\$212 million \$1 billion (1986) <u>f/</u>	Permanent Mineral Trust Fund makes loans for various water purposes
	\$60 million <u>b/</u>	Farm Loan Board loans at 4 to 6 percent interest rates; 40-year repayment for variety of purposes
	N/A	Small Water Development Loans; 4 percent over 40 years

f/ Projected.

water development funds. Energy or mineral exporting states are pioneering this mechanism, including Alabama, Colorado, Minnesota, New Mexico, Montana, and Wyoming. Dedication of other natural resource user fees and revenues from timber sales, grazing rights, irrigation water delivery, or municipal water sales aid new water development projects in Utah, South Dakota, Rhode Island, and California.

Local jurisdictions in most states have primary responsibility for municipal water supplies and finance this activity through revenue bonds or taxation, many with little assistance from the state. In addition, substate entities--counties, municipalities, water supply districts, irrigation districts, and others--are partly responsible for financing the entire range of water resources development purposes, but their roles vary considerably from state to state. States in which local jurisdictions play a major role in financing water development include the northeastern and mid-Atlantic states in general, as well as Iowa, Mississippi, and Oklahoma. At least seven states (Alaska, Maine, New Hampshire, Nevada, Idaho, North Dakota, and Vermont) have initiated bond banking programs for water projects to boost the marketability of locally issued debt instruments. In these programs, the states buy local bonds, repackage them, and sell new state bond issues at the lower interest rates that states can command compared to local governments.

CHAPTER IV. CONSTRAINTS ON STATE AND LOCAL FINANCING

When faced with the possibility of having to spend a larger share to finance water projects, either through increased up-front contributions or higher repayment requirements for federal projects, state spokesmen often cite a wide range of constraints that would prohibit their assuming any new financing responsibilities. An examination of state financing to date indicates, however, that most constraints usually are not binding; states have readily changed laws, institutions, or terms of financial instruments to meet new financial or management responsibilities. To be sure, not all states are equally able to finance relatively capital-intensive water projects; indeed, if faced with such responsibilities, not all states would retain water development projects on their list of priority capital investments. This chapter examines potential legal, financial, and institutional impediments at the state level, together with examples of how states have chosen to mitigate them.

LEGAL IMPEDIMENTS

Two types of legal impediments could affect states' abilities to take a more active financing role in water development projects. First, although it is unlikely that state financing activities would often conflict with state or interstate water laws, any new financing, repayment, or management responsibilities would have to respect existing laws. State water laws prescribe rigid guidelines for allocating state water resources among its various uses or users within a state; and interstate compacts allocate water withdrawals from an interstate stream flowing through a group of river basin states. Second, legal mandates that limit the use of certain financing instruments could prohibit their use for water resources development. Several states that have already encountered such limitations, however, have found ways to amend legal limits or create new entities outside the jurisdiction of constraining statutes.

State Water Laws

There are many variations of state water laws, but basically they all are derived from the doctrines of riparian or appropriative rights. Riparian water law, applicable mostly in the East, maintains that landowners are