

Funding Options for Water Supply and Natural Resource Projects

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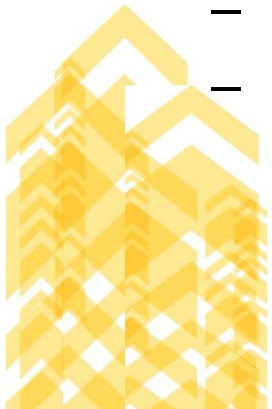


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Background

- On a National scale, existing funding sources for water resource projects/programs are insufficient to cover the current and future water challenges:
 - Reservoir sedimentation
 - Aquifer declines
 - Water quality impairments
 - Aging infrastructure
 - Watershed BMP implementation
 - Efficient irrigation technology
 - Extreme weather events



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Background Cont.

- Federal funding that has assisted in water resource development in the past are decreasing (EPA, Army Corp, USDA, Commerce, and congressional appropriations).
- Many states have identified that a dedicated revenue source, often times a new source, is needed to fund water resource projects/programs.



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Purpose: The Vision for Kansas

- A reliable water supply into the future will require a significant investment by the State.
- The identified priority issues we have talked about today will have a substantial cost:
 - Water Management
 - New Sources of Supply
 - Water Conservation
 - Technology and Agricultural Innovations



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Additional Investments

- We will also need to invest in the following areas for continued resiliency and economic development.
 - Assisting communities to improve water quality in rural areas
 - Reducing vulnerability to floods and droughts
 - Maintaining current infrastructure
 - Improving recreational opportunities



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State of Kansas



Kansas State Water Plan Fund

- State Water Plan is a fee based fund enacted in 1989
- Currently provides \$12M annually to 7 State Natural Resource Agencies to implement State Water Plan
- **Total State Funding (2014 estimate) \$12,372,732**
 - Municipal Water Fees \$3.4 Million
 - Fertilizer Registration Fees \$3.3 Million
 - Clean Drinking Water Fees \$3.2 Million
 - Industrial Water Fees \$1.1 Million
 - Pesticide Registration Fees \$1.2 Million
 - Stockwater Fees \$341,444
 - Pollution Fines and Penalties \$250,000
 - Sand Royalties \$77,210



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SWPF Revenue History

Previous attempts have been made to increase revenues to the fund which were unsuccessful

- 2009 request to increase the fees collected to the SWPF by 50%
- 2009 some interest in request 10% of the Expanded Lottery and Gaming Revenues to the SWPF
- 2012 and 2013 had two bills introduced that would put 0.1% of the state's sales tax in the SWPF



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Research from Other States



State of Missouri



Missouri Conservation and Environmental Protection

- **2013 Total Conservation Funding \$353,048,000**
 - Sales and use tax \$185,556,000
 - Licenses, Fees, and Permits \$77,606,000
 - Cost reimbursement/misc. \$72,475,000
 - Sales \$7,758,000
 - Interest \$5,615,000
 - Penalties and unclaimed property \$3,174,000
 - Reimbursements/Misc. \$784,000
 - Other \$80,000



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Missouri Conservation and Environmental Protection

- **Fund Uses**

- Public drinking water branch
- Water pollution control branch
- Water and wastewater operator training and certification
- Wellhead protection



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Missouri Soil and Park

- **2013 Soil and Park Funding \$87,023,233**
 - State Sales and Use \$78,173,035
 - Motor Vehicle \$8,850,198
- Additional state sales, use and motor vehicle taxes.
- Specifically for the state park system and efforts to stop soil erosion.
- The tax rate is one-tenth of 1 percent.
- Disposition of the tax is 50 percent to the Parks State Sales Tax Fund and 50 percent to the Soils and Water State Sales Tax Fund.



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Missouri Soil and Park-Use

- **Fund Uses**

- Provides financial incentives to landowners to implement conservation practices that help prevent soil erosion and protect water resources
- Promotes best practices in farming techniques



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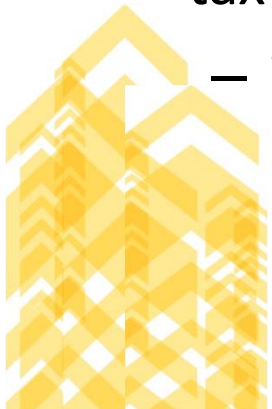
State of Iowa



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State Gaming Revenue

- Total Revenues for these establishments came to **\$317.8 million**
 - \$290.5 million came from Gaming Taxes
 - \$27.3 million came from other receipts
 - \$18.1 million from enforcement and regulatory fees
 - \$5 million from New Facility License Fees
 - \$3.8 million from Parimutuel Receipts
 - \$0.4 million from other receipts related to gaming
- Revenues go into 10 different funds, cultural grants, tourism, and tax credits
 - The largest portion goes into the **Rebuild Iowa Infrastructure Fund (RIIF)** after other allocations are made



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Rebuild Iowa Infrastructure Fund

- RIF is the primary funding source for public infrastructure-related expenditures
 - In FY 2013, RIF brought in **\$210.6 million** in revenue
 - \$153.8 million came from gaming
 - \$20 million came from the Economic Emergency Fund
 - \$16.6 million was from the MSA Tobacco Payment/Endowment Transfers
 - \$15.5 million was carried forward
 - \$4.7 million from other revenue
 - A transfer is made every year from the RIF to the Environment First Fund
 - In FY 2013, **\$35 million** was transferred



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Environment First Fund

- Established in 2000 by Iowa General Assembly to provide funding for protection, conservation, enhancement and improvement of natural resources
 - RIF transferred \$35 million in FY 2013
 - The level of funding fluctuates year to year based on legislative decision



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Environment First Fund

- Fund Uses:

- Water Quality Protection fund – administers the Safe Drinking Water Act
- Water Quantity Program – provides information on water usage
- Conservation Reserve Enhancement Program – provides funds for wetlands development
- Watershed Protection program – provides funds to target water quality problems
- Transfers to Resource Enhancement and Protection Fund for land management and soil and water conservation projects



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Natural Resources and Outdoor Recreation Trust Fund

- Programs enhanced by the trust fund include local conservation programs, watershed protection, lakes restoration, trails, natural resources management and agriculture and land stewardship
- Trust Fund would provide a permanent and protected funding source in addition to budget allocations
- Approved by Iowa voters in 2010, the trust fund will allocate 3/8ths of one cent from sales tax revenue **the next time the Iowa legislature raises the state sales tax.**
 - The legislature has not voted to raise sales tax since 2010, as of now, thus Trust Fund balance is zero



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State of Minnesota



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Legacy Amendment

- Passed in 2008, the Legacy Amendment increases the state sales tax by three-eighths of one percent beginning on July 1, 2009 and continuing until 2034.
- In FY 2013, all funds brought in a revenue of \$275.7 million
 - **Clean Water Fund** **\$91 million**
 - **Outdoor Heritage Fund** **\$91.2 million**
 - Arts and Cultural Heritage Fund \$53.8 million
 - Parks and Trails Fund \$39.7 million



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Environmental Fund

- The two funds account for activities that monitor and control environmental problems using taxes and fees from activities and industries contributing to environmental problems.
- **\$88.6 million** went into the Environmental Fund in 2013
- Revenue sources:
 - Other Taxes \$51.8 million
 - Departmental Services/Licenses and Fees \$36.6 million
- \$20.6 million was spent on water by the Pollution Control Agency



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Environment and Natural Resources Trust Fund

- The money in the Trust Fund is generated by the Minnesota State Lottery.
- FY 2013 contributions from lottery revenue totaled **\$34 million**
 - Some projects include watershed management and water quality monitoring and assessment



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State of Nebraska



Nebraska Water Contingency Cash Fund

- Total Revenue **\$3,033,437 in 2013** from the General Fund for water and natural resource projects
- Additional water/natural resource funds and programs are available, but the revenue sources were undetermined
- In 2014, legislature created the **Water Sustainability Fund** which is anticipated to receive \$32 million by mid-2015 and an annual appropriation of \$11 million



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Potential Funding Options

1. Lottery sales
2. Gaming revenues
3. User tax on water
4. Funding formula based on beneficiaries
5. Bonding and loans
6. Recycling Fund
7. Private industry sustainability initiatives
8. Commodity check off tax
9. Tax Credits
10. Wellhead tax
11. Irrigated acre tax – ground/surface water



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Potential Funding Options Cont.

10. State-wide occupation tax
11. Cigarette tax
12. Additional sales tax
13. Commodities tax /donation
- 14. Fertilizer/pesticide fees**
15. Bottle drink tax
16. Energy tax
- 17. Stockwater Fees**
- 18. Pollution fines and penalties**
- 19. Municipal water fees**
- 20. Industrial water fees**



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Research Questions

- What is the revenue potential from different funding sources?
- What is the stability of potential funding sources?
- How equitable is revenue generation among sectors and within sectors...who pays and how much?
- What is the economic impact of these revenue sources?
- What changes because of these investments?



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