

Draft Report to the Water Policy Task Force Executive Committee
on the
June 29, 2005 Meeting of the Funding Subcommittee

Members attending:

Gene Glock
Ron Bishop
John Turnbull

Jay Rempe
Dan Smith
Don Kraus

Dave Sands
Dave Cookson
Roger Patterson

Others attending:

Dean Edson
John Thorburn
David Kracman

Dennis Schueth
Rod Horn
Steve Gaul

Jasper Fanning
Ann Bleed

- Gene Glock called the meeting to order at 10:00 a.m. He noted that for the state portion of the funding about \$5 million is needed, but that it might be better to address the local share first. Glock indicated that Ron Bishop had coordinated a committee that helped develop a draft funding proposal for the local share.
- Ron Bishop distributed a draft funding proposal for the local share (attached). He indicated that Dan Smith and John Turnbull had assisted in drafting the material.

Funding for the Local Share

- Bishop indicated his strong belief that a cost share between state and local governments was appropriate and noted that the committee recommended 50-50 cost share. He said the Central Platte NRD might not need the funding and that what the Twin Platte or North Platte would need would be different than the needs of the Upper Republican. He stated that the funding mechanism was to be used only to provide funding for basins involving settlement agreements and for basins upstream of areas declared overappropriated.
- The specific language for eligible areas was suggested to be: 1) settlement agreements involving three state compacts, or 2) the basin declared overappropriated by the State and where reductions are necessary in order to sustain a balance between long term water uses and water supplies and adjacent fully appropriated areas within the same district upstream of the lowest downstream point of the overappropriated designation.
- The three options the subgroup recommended making available included:
 - 1) increase the NRD taxing authority 1 cent or property tax, - it was noted that of the 1.8 cents had previously been taken away from the NRDs, the legislature had only given 1

cent back. This proposal would simply restore what had previously been taken away, rounding up slightly.

- 2) provide authority to levy a fee on irrigated acres of up to \$10 per acre, and
- 3) authority to charge a per acre inch pumped/diverted fee.

Bishop indicated that if the proposal were opened up beyond the overappropriated area and adjacent fully appropriated area upstream it would probably be unsuccessful.

- One subcommittee member indicated that the \$10 per irrigated acre figure surprised him and that last year every return on irrigated acres had been negative.
- One subcommittee member asked whether consideration had been given to separating out surface water and ground water.
- One participant indicated they would like to see the word "optional" added for fully appropriated areas.
- One participant asked if a cap had been considered for the amount of revenue that could be generated. Another wondered how we would set a cap for a given NRD and another indicated the public knowledge of the use of the funds would help to provide an effective cap.

Funding for State Share

- Glock indicated that about \$5 million was probably needed for the state share and that it was likely to be used for administration, research and as a match for federal grants and incentives.
- One Committee member suggested that the legislature had asked the Director of Natural Resources to make recommendations on fees and charges and that all the Task Force needed to do was agree to give the director five ideas without necessarily endorsing any of them.
- After some discussion it was suggested that the following four funding sources be considered for providing the suggested \$5 million in annual state support to the Water Resources Trust Fund:
 1. General fund
 2. Sales tax
 - Ear mark dedicated sales tax = 1/50 of one cent
 - Sales tax collected on water bills
 - Tax on bottled water, pop, etc.
 3. Annual property tax record fee
(Roughly one million taxable records x \$5.00 per record)

Simple to collect – perhaps give county treasurer standard 1% commission to do the work.

4. Water fee

Fee per irrigated acre and per person. Equate the two so they are fair (50 cents / irrigated acre - \$2.00 per capita). Exempt those areas already subject to local funding programs. Mechanism for collecting a per capita fee is a problem.

- Some members suggested that a recommendation also be made to support a separate bill similar to the portion of a bill described at the Task Force meeting by Dave Sands and introduced by Beutler that provided for tax credits for conservation easements. This program would provide for a transferable tax credit to be equal to ___% of the appraised value of a conservation easement to those who permanently retire land for conservation, as is done in Colorado. This would be in addition to the basic funding sources. Example would be 100 acres retired from irrigation appraised difference between dryland and irrigated land is \$2,000/acre resulting in a 200,000 value of a conservation easement. The tax credit would be worth ___% of the total value of the easement. The tax credit could be used by the individual or sold at a discount to another tax payer.
- One Committee member suggested he would like to see the state fee touch on everyone since the local fees would be hitting irrigators.
- Another member noted that the most obvious way for a per capita assessment was by water system, but that would leave out rural domestic users.
- One Committee member noted that use of property tax records would involve just over a million taxable records, with 600,000 residential records, 300,000 agricultural records, and 63,000 agricultural residential records.
- One Committee member suggested putting methods of raising money on the voting ballot. Another member indicated that would have the advantage of raising awareness but noted that it would be difficult to address problems should the measure be rejected.** (subsequent to the meeting one member has mentioned the idea of including funding for water quality / water quality monitoring in a ballot initiative initiated for interrelated water management funding).
- Potential for a levy on power bills was mentioned by one participant, although another participant indicated that the power companies might wish to not have to raise money for the state.
- It was suggested that any funds raised through conservation easements for retiring land from irrigated status should go to the Water Resources Trust Fund.
- After the meeting it was suggested that state funds should be placed in the Water Resources Trust Fund.

- It was suggested that a report on the Funding Committee meeting be included at the August 2 Executive Committee meeting.
- The meeting adjourned at noon.