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## FISCAL IMPACT REPORT

Sen. Stefanics and Wirth/Rep. Dixon and  
**SPONSOR** McQueen **LAST UPDATED** 2/4/2025  
**ORIGINAL DATE** 2/3/2025  
**BILL**  
**SHORT TITLE** Strategic Water Reserve Fund **NUMBER** Senate Bill 37  
**ANALYST** Davidson

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
OSE	No fiscal impact	\$75.0	\$75.0	\$150.0	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 137

### Sources of Information

LFC Files

Agency Analysis Received From  
Office of the State Engineer  
Environment Department

## SUMMARY

### Synopsis of Senate Bill 37

Senate Bill 37 proposes to create the strategic water reserve fund to support work related to the strategic water reserve. The bill proposes to set a cap of \$15 million on the new permanent fund, requiring that all balances above \$15 million revert to the general fund.

The bill adds further statutory obligations for the Interstate Stream Commission (ISC), a companion agency to the Office of the State Engineer's (OSE), increasing its authority surrounding water management, conservation, and aquifer recharge. The bill also adds requirements regarding water right acquisitions, requiring OSE and ISC to consider if the acquisition of a water right will provide supplementary benefits, such as supporting traditional and cultural practices, habitat improvement, or recreational opportunities.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

This bill creates a new fund. LFC has concerns with newly created funds earmarked for specific

purposes because it reduces the ability of the Legislature to establish spending priorities.

The strategic water reserve, created by the Legislature in 2005, grants authority to OSE and ISC to allow certain water rights to be designated for public use and allows the agency to acquire water rights to be held in the reserve. Currently, appropriations made to the strategic water reserve go to the Office of the State Engineer, with funds reverting to the general fund at the end of the fiscal year. Senate Bill 37 would add a nonreverting fund to supplement strategic water reserve functions. While the bill states it makes an appropriation, it does not.

The current balance of funds designated for the strategic water reserve, funded through two appropriations, is \$5.2 million.

Analysis from OSE notes implementation of the bill could require an increase of \$75 thousand for a half-time position who would review the potential benefits related to the acquisitions the bill would require.

## **SIGNIFICANT ISSUES**

OSE raises concerns the additional authorities granted to ISC through Senate Bill 37 are ambiguous. Specifically, the added authority would require ISC to:

Assist the state or water users with water management and water conservation efforts designed to support aquifer recharge or reduce ground water depletion in order to promote stream flow or other environmental benefits. Surface water leased or purchased for the reserve shall not be converted to ground water via any methods other than natural, passive infiltration through the streambed.

OSE analysis notes the additional authority as written is unclear as to whether it applies to only the use of water or water rights to reduce groundwater depletion or also to the use of water or water rights to support aquifer recharge. The agency added further the bill as written is not currently clear on whether “water or water rights in the strategic water reserve could be used to support aquifer recharge even if the aquifer recharge would not promote stream flow or other environmental benefits.” Agency analysis points also to the unclear definition of “other environmental benefits” and asks if those same benefits should also be tied to surface waters of the state.

OSE also expressed concerns with the additional language the bill would add regarding aquifer recharge. Specifically, the bill proposes to limit aquifer recharge to “natural, passive infiltration through the streambed,” a limit inconsistent with current aquifer recharge projects and how they are typically designed and implemented. Agency analysis notes if the bill is passed as written it could reduce opportunities “to use surface water in the reserve for aquifer recharge, regardless of the merits of the project.”

As Senate Bill 37 is currently written, the bill does not clearly distinguish it intends to create an additional, permanent, funding mechanism for an already existing reverting fund. Clearer language to delineate the purpose and intent of the bill could diffuse the issues agency and LFC analysis highlighted.

## **TECHNICAL ISSUES**

Analysis from OSE points to the use of the term “converted to groundwater” as an ambiguous term which could either be interpreted as referring to administrative or regulatory treatment of water or prohibiting active aquifer recharge through the physical placement of water underground. The agency proposed amendments to alleviate this issue.

## **AMENDMENTS**

Proposed amendments from the Office of the State Engineer:

On page 5, line 6, strike through “converted to ground water” and replace with “placed underground”. On page 6, lines 8-9, strike through “whether the acquisition will provide” and replace with “potential”.

AD/hj/hg/rl