

Oregon Water Resources Department

	2011-13 Actuals	2013-15 Leg. Approved*	2015-17 CSL LFO	2015-17 Governor's
General Fund	20,359,290	27,284,614	28,396,203	30,908,571
Lottery Funds	587,540	574,025	3,404,416	4,441,160
Other Funds	8,654,128	34,736,737	20,690,296	72,863,335
Federal Funds	780,727	1,275,264	1,302,403	1,302,403
Total Funds	30,381,685	63,870,640	53,793,318	109,515,469
Positions	146	157	157	169
FTE	144.46	154.55	154.83	167.58

* includes Emergency Board and administrative actions through December 2014

Program Description

The Water Resources Department (WRD) is the administrative arm of the Water Resources Commission, a seven-member citizen board appointed by the Governor and confirmed by the Oregon Senate. WRD functions include enforcing the state's water laws, recording and enforcing water rights, development of water resources, inspections of wells and dams, and providing scientific and technical analysis of surface and groundwater resources. WRD is funded in two major program areas, the Water Resources Program and the Water Development Loan Program. The Water Resources Program encompasses five operational divisions: Administrative Services, Field Services, Technical Services, Water Rights Services, and the Director's Office.

CSL Summary and Issues

There are no significant budgetary issues at the Current Service Level. General Fund supports the majority of the functions of the agency and continues to be the primary funding source. Roughly half of the Other Funds shown in the table above are lottery bond proceeds dedicated to grant and loan programs. The remaining Other Funds are generated from licensure and fees and support specific functions throughout the agency. Lottery Funds are used at the agency only for debt service. Federal Funds are from grant programs and support activities primarily in the Technical Services division. Overall growth of the budget at the Current Service Level (CSL) from the Legislatively Approved Budget is -15.8%. This reduction is primarily from the phase out of \$10 million in bonding authority that has gone unused for several biennia as noted in the following section.

Policy Issues

- A number of policy option packages in the agency's budget are directly or indirectly dependent on bond funding. The governor's budget includes funding provided by \$20.0 million in Lottery Bonds and \$30.0 million in Water Development Bonds.
 - The budget for the agency includes the issuance of \$30 million in Water Development Bonds for the recapitalization of the Water Development Fund. Although not explicit in the Governor's budget proposal, this funding is supposed to be for a Governor-sponsored project for water storage and transportation in the Umatilla basin.
 - Sale of bonds are split up in the Governor's proposed budget between May 2016 and March 2017
 - The Water Development Bonds are a constitutional bonding program. They are not general obligation bonds. Repayment is required from the recipient of the funding. The fund became insolvent in the 1980s and required General Fund support.
 - Lottery bond proceeds are distributed between a number of initiatives in the Governor's proposed budget, including an expansion of available funding under the Water Supply Development Loan Program created by SB 839 in the 2013 session, capitalization of the Water Supply Fund, and expansion of the Water Conservation, Reuse, and Storage Grant Program.
- The agency is carrying forward the remaining funding for the Water Supply Development Loan Program (SB 839 2013 regular session) in to the 2015-17 biennium. The funding for the program is from proceeds of lottery bonds to be sold in the spring of 2015. The agency anticipates having roughly \$9.2 million of the funding remaining at the end of the current biennium. Included in the proposed budget for 2015-17 is a policy option package (113) to expand funding for this program by \$6.25 million. This assumes the same type of funding mechanism whereby bond proceeds would be available towards the end of the upcoming biennium. Ongoing debt service would be from Lottery Funds.
- In addition to the proposed expansion of the Water Supply Development program, WRD proposes to expand the Water Conservation, Reuse, and Storage Grant Program using \$2.0 million in lottery bond proceeds (POP 106) and \$750,000 in lottery bond proceeds for place-based, Integrated Water Resource Supply (IWRS) grants (POP 105/115). The additional administrative requirements to support these initiatives, including an additional 7.75 FTE are proposed to be funded with General Fund.
- The remaining \$11.0 million of lottery bond proceeds are dedicated (POP 113) to the Water Supply Fund. The Water Supply Fund was established by SB 5535, Sec. 10 (2009) and funding supplied in the same for the purpose of the loan and grant programs contained in specific sections of HB 3369 (2009) and section 1, chapter 13, Oregon Laws 2008. Additional funding was provided by HB 5036 (2011) in section 4. Section 5 of HB 5036 (2011) amends statute created by SB 5535, section 10 (2009) regarding the use of funds in the account to include the specific use of funding provided in section 4, HB 5036 (2011) and the allowance of the fund to contain any other fees, revenues, or income deposited in the fund by the Legislative

assembly, but no direction on use of the latter funds. This account (the Water Supply Fund) is not codified in ORS. The bills above have contained specific funding and use.

- The Water Development Loan Fund was enacted by the 1977 Legislature to finance irrigation and drainage projects. It was expanded in 1981 to include community water supply projects, and in 1987 to include fish protection and watershed enhancement projects. Bonding authority provided in the past three biennia has gone unused. There are no pending applications for loans, and the CSL budget for the agency removes the bond funding and expenditure authority from the budget. One position (1.00 FTE) is associated with this program \$244,451 Other Funds. As noted above, the Governor's budget proposes re-authorizing \$30 million in bonding capacity for projects eligible for funding under this program.
- The remaining proposals in the budget include four positions, three of which are related to Klamath basin issues and the other a coordinating position in the Technical Services Division for data collection, management, and interagency sharing.
- There is proposed legislation (SB 265/264) to issue up to \$3.4 million in lottery bonds and provide authorization for the director of the Water Resources Department to participate in activities for carrying out the Upper Klamath Basin Comprehensive Agreement. Additional expenditure limitation that may be required for this purpose is not included in the proposed budget for the agency.

Other Significant Issues and Background

- The policy direction of the agency is currently dominated by the Integrated Water Resource Strategy (IWRS) adopted by the Water Resources Commission in August of 2012. House Bill 3369 (2009) directed the WRD to develop the state-wide IWRS to guide the state's water quantity, water quality, and ecosystem needs.
- During the interim, WRD reclassified three positions. Two of these positions were upward classifications to allow for enhanced supervisory and program delivery functions to be assigned to the positions. The third was a downward classification of a management position to a non-management position to accommodate HB 4131 requirements of reducing the management ratio of the agency. The classification changes were all within the existing budget of the agency; the additional funding provided by a reduction in the number of months of an existing clerical position that was being held vacant.

Co-Chairs' Budget Framework Discussion

No specific budget details or issues were identified in the Co-Chairs' budget framework for this agency.