

Water Resources Division

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Budget
General Fund	27,202,391	31,220,037	32,932,622	33,492,069
Lottery Funds	571,605	2,511,482	6,032,844	8,491,302
Other Funds	7,700,475	74,257,142	41,237,275	74,271,553
Other Funds (Nonlimited)	2,296,497			
Federal Funds	641,182	1,312,338	1,323,257	1,871,695
Federal Funds (Nonlimited)				
Total Funds	38,412,150	109,300,999	81,525,998	118,126,619
Positions	157	165	163	175
FTE	154	163	161	172

* Includes Emergency Board and administrative actions through December 2016.

Program Description

The Water Resources Department (WRD) implements water quantity policy for the state including the permitting for the establishment of, and regulation of, water rights. 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. The agency is organized into six divisions: Administrative Services, Field Services, Technical Services, Water Rights Services, Water Development Loan Program, and the Director's Office. By law, all surface and groundwater in Oregon belongs to the public. The agency mission is to "serve the public by practicing and promoting wise long-term water management" through the restoration and protection of stream flows and watersheds and by directly addressing Oregon's water supply needs. Informally WRD is known as the state's water quantity regulator as opposed to the water quality regulator, the Department of Environmental Quality.

CSL Summary and Issues

The current service level budget for the agency represents a \$27.8 million all-funds reduction from the 2015-17 legislatively approved budget. This number is a little misleading however since it includes a \$34 million reduction in Other Funds limitation for bond proceeds. Lottery funds increase by \$3.5 million, or 140% over the 2015-17 legislatively approved budget for debt service on bonds that were issued in the current biennium. This is on top of a \$1.9 million, or 339% increase in lottery funds in the 2015-17 legislatively approved budget over the 2013-15 actual expenditures for the agency due to bond issuance in the 2013-15 biennium.

The General Fund budget for the agency increases by \$1.7 million, or 5.5% from the 2015-17 legislatively approved budget due to standard inflationary factors. A total of \$767,343 General Fund is phased out in the 2017-19 current service level budget for the following one-time expenditures authorized in the current biennium:

- \$25,000 for a task force on drought emergency (HB 4113). Final report and recommendations due on November 1, 2016
- \$167,343 for the limited-duration three-quarter time FTE increase for the feasibility work on water projects as noted above.
- \$175,000 for the state cost-share portion of a federal study of the Harney Basin.
- \$400,000 for the establishment of ten monitoring wells to support the federal study of the Harney Basin.

Federal funds expenditures remain substantively flat at current service level.

The 2015-17 legislatively approved budget for WRD is dominated by Other Funds that represent the proceeds from lottery bond sales dedicated to various water projects. The majority of this funding (\$51.0 million) is from bonds authorized in the current biennium with an additional \$9.2 million carried forward in to the 2015-17 session from lottery bonds issued in the 2013-15 biennium, for a total of \$60.2 million in available funding from lottery bonds in 2015-17. \$30 million of this amount was under a constitutional bonding program providing loans to finance large water development projects that require the repayment of the bond proceeds by the borrowers of the funds under Article XI-I of the Oregon Constitution. To-date, no projects have completed the application process for funding in the 2015-17 biennium and the bonds have not been issued. The expenditure limitation for this portion of the bond proceeds is phased-out of the agency's budget for 2017-19.

Of the remaining \$30.2 million, funding was dedicated to various purposes in the agency's 2017-19 budget. Some of the funding (\$4.2 million) has, or is anticipated to be spent in the current biennium and therefore those amounts are phased-out of the 2017-19 current service level, but \$26 million of the bond proceeds remain unspent and are carried-forward in the agency's 2017-19 current service level budget.

The following list provides the amount originally provided for each purpose, the biennium in which the funding was first authorized, and the remaining amounts carried-forward (unspent) into the 2017-19 biennium:

Purpose	Originally Authorized	Original Amount	2017-19 Remaining Unspent Funds
Cooperative costs of the comprehensive study of the Willamette river basin in conjunction with the U.S. Army Corps of Engineers.	2013-15	\$1,500,000	\$400,000
Cooperative costs of the comprehensive study of the Deschutes river basin in conjunction with the U.S. Army Corps of Engineers.	2013-15	\$750,000	\$100,000
Water Supply Development (SB 839) Grants and Loans	2013-15	\$7,750,000	\$5,150,000
Water Supply Development (SB 839) Grants and Loans	2015-17	\$6,250,000	\$6,250,000
For the purpose of making grants and paying the direct service costs of planning studies performed to evaluate the feasibility of developing a water conservation, reuse or storage project (SB 1069). This amount was in addition to the \$800,000 General Fund included in the agency's base budget for this purpose.	2015-17	\$2,000,000	\$1,500,000
To facilitate the preparation of place-based integrated water resources strategies by providing grants and technical assistance. The agency has awarded four projects that it anticipates being complete by fiscal year 2019.	2015-17	\$750,000	\$600,000
For the purpose of making grants or entering into contracts to facilitate water supply projects in the Umatilla Basin and for the payment of professional services such as third-party contract administration and quality control contracts related to the projects.	2015-17	\$11,000,000	\$11,000,000
For the purpose of making one or more grants to individuals or entities to repair, replace, or remediate water wells in the Mosier Creek area.	2015-17	\$1,000,000	\$1,000,000
Total		\$31,000,000	\$26,000,000

Not included in the Other Funds phase outs was \$2,480,290 for debt service related to the constitutional Water Development Loan program. As noted above, the bonds have not yet been issued and should they remain unissued to the end of the biennium, this Other Funds limitation should be removed.

Policy Issues

The Governor's budget requests expenditure authority for lottery bond proceeds in policy packages 109 and 110. Of the gross bond proceeds, \$484,997 would go for the cost of bond issuance. Of the \$32.0 million remaining, \$2.0 million would be used for feasibility grants along with the \$1.5 million of unspent funding carried forward from the prior biennium and \$800,000 in General Fund included in the agency's base budget for the same purpose. The remaining \$30.0 million would be used to fund the Water Supply Development Account (SB 839) and added to the \$6.25 million carried forward from the prior biennium as noted above.

In conjunction with the bond funding carried forward for place-based planning grants, a policy package is included in the Governor's budget to use General Fund to continue a limited duration position from the prior biennium to the 2017-19 biennium. This position was originally

established to supplement the permanent full-time position in the agency's base budget dealing with place-based planning. Although the current service level carries forward \$600,000 of the original \$750,000 in bond proceeds, only \$56,000 of that amount remains unawarded.

Current statute sunsets fee increases established by the agency in the 2013-15 biennium. The sunset rolls these fees back to the level they were in 2009. The agency projects a \$375,000 reduction in Other Funds revenue as a result of the sunset. Two policy option packages are included in the Governor's proposed budget for the agency to deal with this situation. The first of these, POP 070, eliminates 2.50 FTE and \$375,025 in Other Funds expenditures from fee revenues. The agency has submitted legislation (HB 2295) to eliminate the sunset and increase their fees by 15.88% from the current level to carry it through the next two biennia. A companion package, POP 100, is included in the Governor's budget to facilitate the restorations of the reductions taken in POP 070 should HB 2295 be approved.

Two proposals in the Governor's budget seek to use roughly \$3.0 million General Fund to expand the capacity of the agency by establishing ten new positions. Package 101 creates a second team for the purpose of conducting basin studies in conjunction with the U.S. Geological Survey and the Department of Geology and Mineral Industries. The proposal states that this increase in capacity will allow the agency to produce two basin studies each year. It is not clear however that this increase in funding and capacity will always be met by the federal and state partners. Package 105 establishes three additional regional assistant Water-masters, a Hydro-tech position, and a public affairs specialist and also provides funding for the upward reclassification of five existing Hydro-tech positions. The regional assistant Water-masters have, in the past, typically funded by county resources or were county employees. Reduction in county budgets have eliminated several of these positions.

Umatilla County has proposed to eliminate four of its assistant Water-master positions and one administrative assistant position, but will provide funding, in conjunction with the U.S. Bureau of Reclamation, to WRD to establish these as state positions. The Governor's budget requests the authority to establish these positions and expend the county and federal funds to do so.

HB 2296 has been introduced on behalf of the agency to establish and increase fees related to well construction and bond requirements for well construction. The Governor's budget recognizes the increased revenue from these changes and proposes to use a portion of the increased fee revenue to support the upward reclassification of three well inspector positions.

Other Significant Issues and Current Discussions

Beginning in fiscal year 2019, the Oregon Department of Fish and Wildlife will be required to bill other natural resource agencies for work that ODFW does on behalf or due to requirements of those other agencies. This will not be an issue in the upcoming biennium, but may have a substantive impact on the WRD budget in the 2019-21 biennium.

In December of 2016, the Secretary of State issued an audit report on the operations of the Water Resources Division. The report provided recommendations that included:

- Establishing a better balance between water rights issuance and actions to restore and protect streamflows and watersheds for long-term sustainability.
- An increased focus on groundwater protection, particularly in well construction and inspection
- Completion of data collection across the state and meaningful analysis of the data for water management decisions
- Addressing staffing levels, capacity, and duties to ensure fulfillment of critical responsibilities
- Create a long-term agency plan to focus and prioritize efforts and align efforts with available resources to better meet the agency's mission