

Water Resources Department

	2015-17 Actual	2017-19 Legislavely Adopted	2017-19 Legislatively Approved*	2019-21 CSL LFO	2019-21 Governor's Budget
General Fund	31,151,280	31,483,809	33,503,512	34,710,206	38,894,484
Lottery Funds	2,511,474	3,953,969	3,953,969	8,493,320	8,493,320
Other Funds	12,105,217	61,306,369	66,864,861	44,268,986	59,718,058
Federal Funds	629,631	1,879,534	1,905,917	876,734	876,734
Total Funds	46,397,602	98,623,681	106,228,259	88,349,246	107,982,596
Positions	166	170	170	169	184
FTE	163.43	167.59	167.59	164.51	177.59

* Includes Emergency Board and administrative actions through December 2018.

Program Description

The Water Resources Department (WRD) implements water quantity and availability policy for the state, including the issuance and protection 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 Senate. WRD functions include enforcing the state's water laws, recording and enforcing water rights, developing water resources, inspecting 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 Department operates through the following six programs:

- Administrative Services – Provides human resource, accounting, payroll, contracting, facilities management, risk management, training services, and budget preparation and execution. The program operates the Water Conservation, Reuse, and Storage Grant Program established by SB 1069 (2008) providing funding for feasibility studies. The program also operates the Water Supply Development Fund established by SB 839 (2013) to provide loans and grants for water resources development projects that evaluate and plan projects to provide access to new water supplies for in-stream and out-of-stream uses.
- Field Services – Administers water laws, including dam and well inspections, and water right regulation and enforcement. The Department organized the state's 21 watermaster districts into five regions for more efficient use of field personnel. Field staff responsibilities include dam inspections, enforcing water distribution among water right holders, processing water right transfers, hydrologic data gathering, well construction inspections, well monitoring, and water right record maintenance.

- Technical Services – Manages data and technical analyses of the state’s surface and ground water. Technical Services’ programs include hydrologic analysis, ground water investigations, surface water availability, hydrographics, dam safety, stream gauging, geographic and water rights information systems, well construction and enforcement, and water use reporting.
- Water Right Services – Evaluates both in-stream and out-of-stream water right applications, and administers programs such as water right certification, permit administration, water right transfers, stream flow restoration, water supply and conservation planning, adjudication of pre-1909 and federal reserved water rights, and hydroelectric licensing. It also has the lead responsibility for Oregon’s hydroelectric water right and licensing program.
- Director’s Office – Oversees all policy-related functions of the agency. The Office coordinates the development of administrative rules, provides citizen response and information services, supports the Water Resources Commission activities, develops legislative proposals, and provides oversight of agency activities related to the Oregon Plan for restoration of salmon and watersheds, the Global Warming Commission, Government-to-Government tribal activities, and Sustainability and Streamlining Efforts. The Director’s office also houses the Integrated Water Resource Strategy (IWRS) Coordinator position, providing policy direction and leadership for the agency’s IWRS program.
- Water Development Loan Program – Established by the Legislature in 1977 as a general obligation bond program to finance irrigation and drainage projects. The loan program was expanded in 1982 and 1988 through constitutional amendments approved by voters to also include community water supply, fish protection, and watershed enhancement projects.

CSL Summary and Issues

The current service level for the agency includes adjustments from the 2017-19 legislatively adopted budget for:

- 2018 legislative session actions and Emergency Board actions through March 2018 including:
 - Position actions including collective bargaining agreements negotiated by the Governor; \$982,419
 - Additional expenditure limitation for Lottery Bond proceeds for City of Carlton water projects \$5.15 million
- Net impact of the biennialization of position actions and the elimination of limited duration positions; \$642,065
- Projected adjustments for existing debt service costs; \$4.54 million
- Decrease in vacancy savings to reflect anticipated actual personal services expenditures; \$947,365
- Personal Services adjustments not included elsewhere including; temporary appointments, overtime, and associated taxes; \$31,400
- Phase-out of one-time funded activities or programs funded in the 2017-19 budget, including reductions for:
 - Federal Funds expenditure limitation not supported by federal revenues; \$625,673
 - Bond issuance costs; \$542,169
 - Expended bond proceeds from bonds issued in 2015; \$5.75 million
 - Expended bond proceeds from bonds issued in 2017; \$16.65 million
- Inflation, both standard inflation at a rate of 3.8% for most Services and Supplies expenditures, and extraordinary inflation for certain authorized items; \$636,837
- Increases in state government service charges; \$427,664

Additional legislatively approved changes that were made to the 2017-19 budget for the Water Resources Department after April 2018 are not contemplated in the current service level budget for the agency, but are captured in the legislatively approved budget. Typically, adjustments made to the agency's budget during this part of the interim are for one-time funding or expenditure authority, and therefore, require no additional accommodation in the upcoming biennium's budget. Of note, an allocation of \$1.35 million General Fund was made to the agency from the Emergency Fund by the Emergency Board in September 2018. The additional funding was for legal costs primarily related to legal challenges over regulatory actions taken by the agency based on determined claims in the Klamath Basin.

The current service level for the agency carries-forward expenditure limitation of \$1.0 million for bond proceeds for feasibility studies (SB 1069 programs) and \$2.65 million for water project grants and loans (SB 839 projects) from bonds issued in 2017. Additionally, \$15 million for water project grants and loans, \$1.5 million for feasibility studies, and \$10.85 million for specified projects from bonds anticipated to be issued in April 2019 is also carried-forward into the 19-21 biennium.

While the current service level budget decreases by \$10.3 million or 10.4% from the legislatively adopted budget for 2017-19, those numbers are heavily impacted by the large amount of bond proceeds in the agency's budget. When the changes in budget due to bond funding are removed, the current service level budget for 2019-21 increases by \$6.98 million, or 13.85% from the legislatively adopted budget for 2017-19. This change is significantly attributable to the \$4.54 million increase in debt service related to the increased use of bond financing.

Policy Issues

- Increasing debt service due to bond financing
- Ongoing issues with regulatory actions in the Klamath basin, including the resulting increase in A/G costs
- Lingering issues identified in December 2016 Secretary of State audit including:
 - Long-term agency-specific strategic planning
 - Use of data collected by agency
 - Workload

Other Significant Issues and Background

Governor's Budget

The Governor's budget uses additional vacancy savings and reductions in statewide assessments to reduce General Fund expenditures from the current service level by \$1.76 million before adding roughly \$6.0 million in new General Fund spending for the agency. \$1.0 million is slated to address ongoing Attorney General costs primarily associated with water regulation in the Klamath basin. The remaining funds are primarily to augment staffing throughout the agency. Two of the policy packages readdress requests for funding that were not approved by

the Legislature in the 2017-19 biennium. These involve expansion of field staff for workload issues, additional well inspectors, and an additional basin groundwater study team. One of the packages deals with workload issues around managing water rights and supporting the work of watermasters. Although this workload is driven by water users, there is no fee mechanism to support this work and therefore the agency has defaulted to the use of General Fund in the past and has requested the use of General Fund to expand the program in the current budget request.

The Governor's budget seeks to continue the placed-based planning pilot program by extending the existing program sunset date of June 30, 2019 to 2023 via legislative concept 509. Assuming that the sunset can be pushed back, the budget adds a permanent full-time position to the program to replace the limited-duration position that was authorized in the 2017-19 budget. The package would also include \$550,000 GF for grants to the four participating groups and \$200,000 GF for the agency to provide technical assistance.

The agency is also provided \$15.0 million Other Funds expenditure in anticipation of a requested bond issuance to fund water supply development loans and grants under the SB 839 program. This amount would be in addition to the \$17.65 million carried forward in the current service level for the program.

A General Fund request of \$600,000 for an "in-depth" assessment of the Wallowa Lake Dam seems to be a singular item in the Governor's budget, but is really part of a larger look at dam regulation and safety in Oregon. Along with the funding in the WRD budget, the Governor has requested \$16.0 million in bond funding for dam upgrades and repairs. While this package is not dependent on the legislation, LC 509 revamps the dam program administered by the agency. WRD presented a report on high-hazard dams to the Emergency Board during the December 2018 legislative days.