

Water Resources

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	33,084,577	36,722,794	35,217,838	39,873,994	40,104,341
Lottery Funds	3,953,965	7,566,502	7,563,194	13,470,490	14,289,736
Other Funds	19,559,551	99,151,093	100,263,082	73,956,617	93,363,622
Federal Funds	641,406	875,519	1,148,011	725,000	716,840
Total Funds	57,239,499	144,315,908	144,192,125	128,026,101	148,474,539
Positions	170	177	178	176	170
FTE	166.43	171.79	172.67	171.51	165.44

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Water Resources Department (WRD) issues and protects water rights and implements water policy for the state. 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 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.

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 Division regulates water use in order to protect senior water rights for both in-stream and out-of-stream purposes. The Department organized the state's 21 watermaster districts into five regions for more efficient use of field personnel. Field staff include region managers, watermasters, technicians, and assistant watermasters. 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. In addition, field staff act as liaisons with Watershed Councils, municipal water suppliers, local governments, and irrigation districts to explain Commission and Department policies, review water management plans, provide information on water availability and water rights, and bring regional policy issues back to the Department.

- Technical Services –Manages data and technical analyses of the state’s surface and ground water. The Division supports both current and long-term water management needs by collecting, analyzing, and applying information on ground water and surface water resources. 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, and adjudication of pre-1909 and federal reserved water rights. It also has the lead responsibility for Oregon’s hydroelectric water right and licensing program. Approximately 154 currently authorized licensed hydroelectric projects pay annual fees to support the coordinated programs in the Departments of Water Resources, Fish and Wildlife, and Environmental Quality.
- 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 budget for the agency decreases by \$16.2 million, or 11.2%, from the legislatively approved budget for the 2019-21 biennium. This reduction is a result of the phasing-out of \$26.3 million in expenditure limitation for bond proceeds that were establish in previous biennia. Without the adjustment for bond funds, the agency’s CSL budget increases by 7.0%. The following table presents the bond funded programs and bond funding by biennium that are either being phased-out or carried forward into the 2021-23 biennium:

Bond related phase-outs and carry forwards

	Original Funding Provided	Phased Out 17/19	Phased Out 19/21	Phase Out 21/23	Carry Forward 21-23
2015-17 Bonding Description Bond Sale Date 4/2017					
Feasibility Studies (SB 1069)(SB 5507 Sec 65)	\$ 2,000,000	\$ 500,000	\$ 500,000	\$ 300,000	\$ 700,000
FS Cost of Issuance	\$ 47,477	\$ 47,477	\$ -		
Place Based Planning IWRS (SB 5507 Sec 64.1)	\$ 750,000	\$ 200,000	\$ 550,000		
Umatilla Basin Water Supply Projects (SB 5507 Sec 64.2)	\$ 11,000,000	\$ -	\$ -	\$ 11,000,000	\$ -
Mosier Creek WSF (SB 5507 Sec 64.3)	\$ 1,000,000	\$ -	\$ 1,000,000		
WSF Cost of Issuance	\$ 280,433	\$ 280,433	\$ -		
Water Supply Development Account (Water Proj Grants & Loans)	\$ 5,377,561	\$ -	\$ 2,727,561	\$ 2,650,000	\$ -
Water Supply Development Account (Water Proj Grants & Loans) Taxable	\$ 872,439		\$ 872,439	\$ -	\$ -
WSF Cost of Issuance	\$ 112,979	\$ 112,979	\$ -	\$ -	\$ -
	\$ 21,440,889	\$ 1,140,889	\$ 5,650,000	\$ 13,950,000	\$ 700,000
2017-19 Bonding Description Bond Sale April 2019					
Water Supply Development Account (Water Proj Grants & Loans)	\$ 15,000,000			\$ 3,500,000	\$ 11,500,000
Feasibility Studies	\$ 1,500,000			\$ -	\$ 1,500,000
City of Carlton Panther Creek	\$ 2,500,000			\$ 2,100,000	\$ 400,000
City of Carlton Water Supply Project	\$ 2,000,000			\$ 700,000	\$ 1,300,000
Santiam Mill Creek Corp	\$ 1,200,000				\$ 1,200,000
Consolidated Cost of Issuance	\$ 422,536		\$ 422,536		
City of Carlton (HB5201) Feb 2018 Session	\$ 5,150,000			\$ 5,150,000	\$ -
City of Carlton (HB5201) COI Feb 2018 Session	\$ 119,633		\$ 119,633	\$ -	\$ -
	\$ 27,892,169		\$ 542,169	\$ 11,450,000	\$ 15,900,000
2019-21 Bonding Description Bond Sale April 2021					
Water Supply Development Account (Water Proj Grants & Loans)	\$ 15,000,000				\$ 15,000,000
Deschutes Basin Board of Control	\$ 10,000,000				\$ 10,000,000
Wallowa Lake Irrigation District Wallowa Lake Dam	\$ 14,000,000				\$ 14,000,000
City of Newport Big Creek Dam	\$ 4,000,000				\$ 4,000,000
COI	\$ 849,252			\$ 849,252	\$ -
	\$ 43,849,252			\$ 849,252	\$ 43,000,000
TOTALS	\$ 86,200,000	\$ 700,000	\$ 5,650,000	\$ 20,250,000	\$ 59,600,000
	\$ 1,832,310	\$ 440,889	\$ 542,169	\$ 849,252	\$ -
	\$ 5,150,000	\$ -	\$ -	\$ 5,150,000	\$ -
	\$ 93,182,310	\$ 1,140,889	\$ 6,192,169	\$ 26,249,252	\$ 59,600,000

The majority of the carried-forward limitation deals with bonds that have yet to be sold. The status of the spring sale is still unknown and will be dependent on subsequent Lottery revenue forecasts. In addition to the bond related expenditure limitation decreases, \$550,000 General Fund and an associated limited duration position for place-based planning that was approved in the prior biennium (POP 101) was also

phased out. There were two small reductions in Other Fund expenditure limitation in the Field Services and Technical Services programs to remove empty limitation.

Standard inflation factors of 4.3% for most services and supplies expenditures, 5.7% for non-state employee and professional services costs, and state government service charges were applied. None of these were substantively impactful on the budget. Two small fund shifts in the Field Services and Technical Services division moved a net \$177,089 from Federal Funds to Other Funds. The agency states that this change was to better allocate funding sources to the work being performed.

Technical adjustments moved a substantial amount of expenditures between programs. These moves summed to zero and were initiated by the agency to correct the alignment of expenditures to the budget structure.

There is a revenue shortfall package (070) included in the agency's budget that modifies the current service level presented in the budget table above. Water rights, water storage, and transfer fees would be insufficient to support the agency's expenditures in the Water Rights Services program at the current service level. To adjust for this the revenue shortfall package reduces expenditures by \$1,688,933 Other Funds by eliminating eight positions (8.83 FTE). A fee bill (HB 2142) has been introduced on behalf of the agency to increase these fees to support ongoing operations. That fee bill will be contemplated concurrent with the agency's budget bill. The Governor's budget includes a policy package (POP 104) that is dependent on the additional fee revenue to restore three of the eight positions (2.50 FTE).

Policy Issues

Outside of the requested fee increase, the significant budget related policy issue for the agency is the continuance of bonding to capitalize the Water Supply Development Fund and supplement the placed-based planning efforts. Legal costs continue in excess of the agency's current service level budget, but as in last biennium, the magnitude of the shortfall will not be known until well into the biennium.

Governor's Budget

There are several packages that were included in the Governor's budget that were generally applied statewide. These included packages for the elimination of generalized inflationary factors for services and supplies expenditures, an increase in vacancy savings to 5% of budgeted personal services, reductions in state government surcharges from the Department of Administrative Services, decrease in Attorney General base rates of 5.91%, and savings from the consolidation of Microsoft 365 licenses.

General Fund reductions of \$416,175 are made in the Administrative Services program by eliminating a vacant water rights data technician position and reducing general services and supplies expenditures. General Fund reductions of \$1.65 million were also applied in the Technical Services program that included:

- \$164,694 GF for gauging stations
- \$382,467 GF for feasibility study grants

- \$300,928 GF for costs related to groundwater studies
- \$778,461 for observation wells
- \$26,277 for a vacant fractional NRS 4 position

In the Field Services program, three vacant positions are eliminated for a General Fund reduction of \$392,650

These reductions are partially offset by the inclusion of adjustments of \$1.0 million General Fund for equitable water access and \$500,000 General Fund for indigenous energy resiliency. These investments are noted to be recommended by the Racial Justice Council.

In addition to the bond funded expenditures carried forward in the current service level, the Governor's budget anticipates \$20.5 million in Lottery Bond funding. \$20.0 million would be used to capitalize the Water Supply Development Fund and the remaining \$500,000 would be used to supplement the agency's base budget for feasibility study grants.

Two of the agency's policy packages are dependent on legislation to establish or increase fees. HB 2142 deals with increasing fees on water rights transactions. The additional revenue generated would allow the agency to restore three positions (POP 104) in the Water Rights Services program of the eight positions that were eliminated in the revenue shortfall package. A small amount of this additional revenue would also support budgeted expenditures in the Technical Services program, but no positions in that program are impacted. The other fee bill, HB 2143, deals with hydroelectric producer fees. The anticipated additional revenue is \$1.3 million (POP 105), but the majority of those funds (\$1.05 million) are transferred to the Department of Environmental Quality and the Oregon Department of Fish and Wildlife for regulatory activities. There are no additional expenditures contemplated with the residual revenue at Water Resources.

The single most substantial policy package included in the Governor's budget deals primarily with the Dam Safety program. The package (POP 101) seeks to establish two professional engineer positions to provide ongoing analyses of seismic, flood, erosion, and other safety risks that would allow the agency to aid in the prioritization of dam repair needs and funding. Coupled with the new positions, the agency is seeking an additional \$1.0 million in General Fund for contracted professional services to assist in this work. The package also adds two ancillary positions to the core engineering staffing in the Technical Services program. This includes a public information coordinator position in the Director's office and a training and safety coordinator position in the Administrative Services program. Both of these positions are more generalized in scope and not directly related to dam safety.

Key Performance Measures

A copy of the WRD Annual Performance Progress Report can be found on the LFO website

https://www.oregonlegislature.gov/lfo/APPR/APPR_WRD%209.29.20.pdf