



Oregon
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House Committee on Water
Representative Helm, Chair

Testimony in Support of House Bill 2142
Water Rights Transactions and Dam Safety Fee Schedule

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Thank you for the opportunity to provide testimony in support of House Bill 2142, which increases certain fees to support water right transaction processing and dam safety. The water rights transactions fees are a one-time fee associated with the processing of a specific water right transaction, whereas the dam safety fee is an annual fee for dam owners that supports oversight and inspections of the safety of state-regulated dams.

Fee History and Current Budget

Water is an essential foundation for industry, communities, agricultural producers, fisheries, and other purposes. Generally, in order to use water in Oregon, one must obtain a water right from the Water Resources Department. Changes in how a water right is used must also receive approval from the Department in order to ensure those changes will not injure other existing users.

For decades, the services for water right transaction processing has been supported by a combination of fees and General Fund. Since 2009, the Legislature has supported these services by having applicants for water right transactions pay for about 50 percent of the cost of staff to process these transactions, while the other 50 percent is paid for by the General Fund.

The Department is also responsible for ensuring the safety of dams in Oregon, by evaluating new storage projects for dam safety standards, as well as evaluating the condition of existing dams in Oregon. Annual dam safety fees cover about 35 percent of the dam safety program budget, supporting both staff and engineering contracts. General Fund and Federal Funds account for the remainder of the program funding.

In recent years, the Department has brought forward modifications to the water right transactions fee schedule and dam safety fee schedule every four years, based on projected cost increases from the Department of Administrative Services. The fee schedule was last modified in 2017. Despite the fee increase in 2017, the Water Rights Services Division has not had the resources to operate at full capacity to provide water rights transaction services. The Division has kept 7 FTE, three funded by General Fund and four funded by water right fees, unfilled in an effort to manage within the budget and associated revenues. The fee revenue shortfalls are in part due to the number of water right applications and other transactions being less than anticipated, leading to reduced revenues to support positions.

The Water Rights Services Division is currently budgeted at 36 FTE (not including the hydroelectric program, which has a different funding model not addressed by this bill). The current water right transactions fee schedule is intended to provide revenues of about \$2.4 million to fund 21.43 FTE (24 positions) of which 18.93 FTE are in the Water Right Services Division, as well as 2.5 FTE in other divisions. The current dam safety annual fee schedule provides about \$300,000 which funds 0.95 FTE in the Dam Safety Program.

Need for fee increase

Without a fee increase to compensate for cost increases, the Department would lose 8.83 FTE in Water Rights Services Division staff capacity. With the reductions in staff, it will take longer to process water right transactions, causing farmers, water providers, and others to wait longer to receive decisions on water right related proposals. Without the fee increase there would be less funding for services and supplies in the Dam Safety Program, such as engineering contracts to respond to safety incidents or emergencies at dams.

What the bill does

HB 2142 proposes a 2021-2025 fee schedule to support water right processing and dam safety by increasing fees by approximately 17.39 percent, with rounding adjustments that were shared with stakeholders. The legislation would be effective July 1, 2021 – the start of the fiscal year.

HB 2142 proposes to use the same funding model for fee increases as was approved by the legislature in 2013 and 2017, with the Water Rights Services Division supported by a 50/50 split between General Fund and fees, and fees increased by the cost inflation estimates provided by the Department of Administrative Services. Under that approach, the Department of Administrative Services projects inflationary costs to increase by 17.39 percent for 2021-2025. Unfortunately, as a result of the factors mentioned above, the fee increase as proposed by HB 2142 will only allow the Department to retain 2.5 FTE of the 8.83 FTE that may otherwise be reduced due to revenue shortfalls. Since HB 2142 will not support all current budgeted positions, even if the bill passes the Division will be facing reductions of 6.33 FTE.

HB 2142 also adds a fee per well for transfer applications that propose to make changes for more than one well. This change better reflects the increased work associated with evaluating the potential injury, interference, and well construction standards for each well that is proposed for a transfer. It also matches with how fees are already calculated for new water right permit applications.

The fee increases proposed by HB 2142 will also provide services and supplies to support current services in the Dam Safety Program.

Conclusion

Processing water right transactions in a timely manner is essential for farmers, cities, and other water users. Ensuring dams meet safety standards is critical to protect public safety as well as the reliability of water supplies. House Bill 2142 proposes to increase the Department's fees to support services in these areas for the next four years.