



February 26, 2025

MEMORANDUM

TO: Joint Committee on Ways and Means Subcommittee on Natural Resources

FROM: Ivan Gall, Director
Racquel Rancier, Deputy Director of Strategy and Administration
Douglas Woodcock, Deputy Director of Water Management

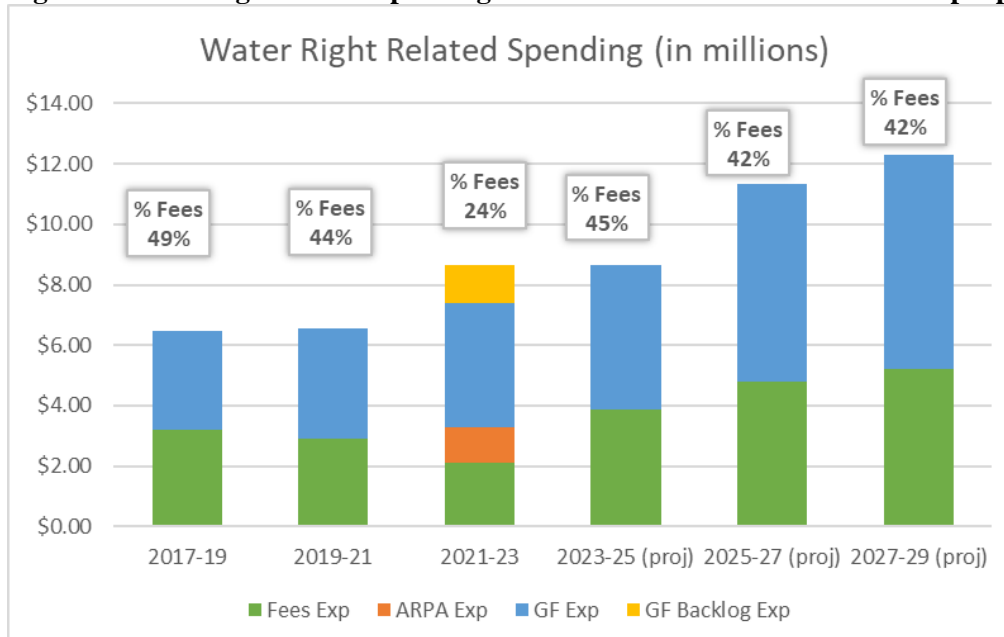
SUBJECT: Response to House Bill 5543, OWRD Budget Presentation on 2/19

After the February 19, 2025, informational hearing, the department committed to following up on the following questions:

What is the status of the 50/50 general fund and fee split for water right transaction fees?

Since 2009, the Department has attempted to maintain a 50/50 split between the general fund and fee fund for positions supported by Water Right Transaction Fees; however, insufficient fee revenue has prevented meeting this split (Figure 1).

Figure 1. Water right related spending in millions. GF does not include 2 repurposed positions.



In 2021, there was a turning point in the fee model. The legislature in the 2021 session cut 6.33 positions that had been vacant due to a lack of fee revenues. It was also realized that fee revenues were not adequate and that fee increases had not been adequate to keep up with costs to support positions. In addition, the legislature provided temporary ARPA funding to hire temporary employees and backfill the anticipated fee shortfalls. In other words, in 2021, it became evident that the 17% increase was not going to be sufficient and the legislature authorized ARPA funding to backfill the lack of an ending fund balance (see Tables 4 and 5). This means that fees were subsidized by \$1.15 million dollars in the 2021-2023 biennium by ARPA. Fees were also subsidized in the biennium with GF dollars, with the idea of preserving funds and attempting to increase the beginning fund balance for the 2025-2027 biennium.

How the two repurposed positions fit into the split: In late 2024, the Department repurposed two general fund assistant watermaster positions from the Field Services Division to the Water Right Services Division as caseworkers to improve service delivery and reduce backlogs.

These two repurposed positions are not included in the calculations for the targeted 50/50 split between general fund and fee funded positions supported by Water Right Transaction Fees; therefore, they are not included in the calculations in Figure 1 that show a 42% fee to 58% general fund split for the current fee increase proposal of 135%. Put another way, the 135% fee increase proposed in POP 102 and HB 2803 does not include the two new GF positions as part of calculations of the split. Even without these two positions included, the 135% fee increase is not a 50/50 split; as shown in Figure 1, with fees supporting 42%. If the two positions were added to the calculations, the percent of fees to general fund would decline further from the 50/50. If the legislature's intent is to match the 50/50 split model, the fee increase would need to be greater than 135%.

Work Supported by Fees and General Fund: Table 1 provides a list of the Department's current service level positions supported by water right transaction fees; currently 14.93 FTE are supported by water right transaction fees. Table 2 provides the corresponding current service level positions supported by general fund spending; in total 19.45 FTE are supported by general fund.

Note that with the exception of the data technicians and the groundwater data chief (which is intended to reflect a portion of the groundwater section's work on water rights), positions outside of the Water Right Services Division that also support processing water rights have not been included in the 50/50 fee split. These positions are not included in either of these two tables or in the projections for fee amount calculations. Part of positions in these sections support water right transactions work as outlined below:

- Field Services Division: answers customer pre-application questions, and review applications providing local knowledge and feedback on water availability, injury and enlargement.
- Administrative Services Division: processes application fees and refunds, receives mail, maps water rights, and enters data into our Water Rights Information System.
- Surface Water Hydrology Section: provides analysis on surface water availability.
- Groundwater Section: provides information on groundwater availability and the potential for a use to injure an existing right.

- Well Construction Section: for groundwater applications, evaluates if wells meet well construction standards.
- Dam Safety Program: recommends permit conditions for dam safety for dams above certain height and storage volumes.

Table 1. Water Right Transaction fee supported positions as of Current Service Level.

Services Division	Employee Work Title	FTE Fee Funded
Administrative	Water Resource Data Technician 1	2
Water Rights	Certificate Specialist	1
Water Rights	Flow Restoration Program Technician	1
Technical	Groundwater Data Chief	0.50
Water Rights	Modernization Coordinator and Conservation Analyst	1
Water Rights	Public Service Representative 4	2
Water Rights	Transfer and Conservation Section Manager	0.02
Water Rights	Water Right App Caseworker	1.50
Water Rights	Water Right Program Analyst	0.63
Water Rights	Water Right Section Manager	0.28
Water Rights	Water Right Section Support	2
Water Rights	Water Right Transfer Specialist	3
	Total Fee Funded FTE	14.93

Table 2. Water Right Transaction General Fund supported positions as of Current Service Level.

Services Division	Employee Work Title	FTE GF Funded
Administrative	Water Resource Data Technician 1	1
Administrative	Water Resource Data Technician 2	0.73
Technical	Groundwater Data Chief	0.50
Water Rights	Adjudication And Extension Specialist	1
Water Rights	Certificate Section Technical Team Leader	1
Water Rights	Certificate Specialist	1
Water Rights	Conserved Water Specialist	0.88
Water Rights	District Transfer Program Advisor	1
Water Rights	Flow Restoration Coordinator	0.49
Water Rights	Protest Program Coordinator	1
Water Rights	Supply And Conservation Specialist	0.88
Water Rights	Transfer and Conservation Section Manager	0.98
Water Rights	Transfer and Conservation Section Support	1
Water Rights	Transfer Program Advisor	1
Water Rights	Water Right Division Administrator	0.90
Water Rights	Water Right Program Analyst	1.37

Water Rights	Water Right Section Manager	0.72
Water Rights	Water Right Transfer Specialist	2
Water Rights	Water Right App Caseworker (<i>repurposed from FSD</i>)	1 (<i>not included in split calc.</i>)
Water Rights	Water Right Transfer Specialist (<i>repurposed from FSD</i>)	1 (<i>not included in split calc.</i>)
Total General Funded FTE		19.45

How much of the funding for the Start Card services fee increase have been coming from the ending fund balances?

Table 3 provides an accounting of actual and projected Start Card revenue, expenditures and beginning and ending funds balances from July 2021 through June 2029, as of 2025-27 current service level, before any fee increase assumptions contemplated in HB 2808/POP 101. Any fund balances remaining at end of each biennium are treated as carried over revenue or “beginning fund balances” in the next biennium and are used to assist with operating cash flow.

The desired ending fund for the Start Card fund equals six months of expenditures. The Department has had adequate ending fund balances for the 2021-23 and 2023-25 biennia. Beginning in the 2025-27 biennium, despite the carry forward of ending fund balance from the 2023-25 biennium, the department projects erosion of the desired ending fund balances. In the 2027-29 biennium, the department projects that we will have used up all available ending fund balance carried forward from the 2025-27 biennium and also projects that expenditures will exceed all available revenues. For reference, the desired ending fund balance for the 2027-29 biennium is around \$850k.

Based on this analysis, by July 2027, we anticipate having insufficient funds to maintain all current positions and would need to undertake position reductions at the end of the 2025-2027 biennia / beginning of the 2027-2029 biennium. The Department anticipates insufficient funds for six positions. Waiting until next biennium (2027-2029) to increase fees will likely result in need for a fee increase more than double the current proposal of 40% to prevent position reductions and maintain services.

Table 3. Start Card Revenue and Expenditure Projections*

Biennium	2021-2023	2023-2025 (Projected)	2025-2027 (Projected)	2027-2029 (Projected)
Revenue				
Fees	\$2,270,975	\$2,170,000	\$2,170,000	\$2,170,000
Other (interest)	\$43,581	\$100,000	\$100,000	\$100,000
Beginning Fund Balance	\$839,279	\$1,383,081	\$1,084,656	\$202,561
<i>Total Available Revenue</i>	\$3,153,835	\$3,628,081	\$3,354,656	\$2,472,561
Expenditures				
Personal Services	\$1,445,668	\$2,190,790	\$2,758,599	\$3,006,876
Services & Supplies	\$325,086	\$377,635	\$393,496	\$409,629
<i>Total Expenses</i>	\$1,770,754	\$2,568,425	\$3,152,095	\$3,416,502
Ending Fund Balance	\$1,383,081	\$1,084,656	\$202,561	-\$943,941

*Projections as of May 2024 used for the department’s POP 101.

Water Right Fee Projections

Although not requested during the hearing, the Department has provided a similar table for the Water Right Fees showing what would occur without a fee increase, and what would occur with a fee increase. This is included because we believe it helps in understanding Figure 1.

Table 4: Water Right Fee Table – Without Fee Increase

Biennium	2019-2021	2021-2023	2023-2025 (Projected)	2025-2027 (Projected)	2027-2029 (Projected)
Revenue					
Fees	\$2,521,251	\$2,918,265	\$2,500,000	\$2,350,000	\$2,209,000
Other**	\$19,940	\$219,920	\$150,000	\$100,000	\$50,000
Beginning Fund Balance	\$771,351	\$388,829	\$1,409,753	\$185,140	\$0
<i>Total Available Revenue</i>	\$3,312,542	\$3,527,014	\$4,059,753	\$2,635,140	\$2,259,000
Expenditures					
Personal Services	\$2,635,631	\$1,783,341	\$3,465,692	\$4,355,909	\$4,747,941
Services & Supplies	\$288,082	\$333,921	\$408,921	\$426,096	\$443,566
<i>Total Expenses</i>	\$2,923,713	\$2,117,261	\$3,874,613	\$4,782,005	\$5,191,507
Ending Fund Balance	\$388,829	\$1,409,753	\$185,140	-\$2,146,865	-\$2,932,507

Projections as of May 2024 used to inform Department’s POP 102.

**This includes interest, road watering, public records, and requests for standing; part of which should be included in fees. OWRD is looking to revise in our accounting system.

Table 5: Water Right Fee Table – With Fee Increase

Biennium	2019-2021	2021-2023	2023-2025 (Projected)	2025-2027 (Projected)	2027-2029 (Projected)
Revenue					
Fees	\$2,521,251	\$2,918,265	\$2,500,000	\$5,657,500	\$5,258,650
Other	\$19,940	\$219,920	\$150,000	\$100,000	\$50,000
Beginning Fund Balance	\$771,351	\$388,829	\$1,409,753	\$185,140	\$1,160,635
<i>Total Available Revenue</i>	<i>\$3,312,542</i>	<i>\$3,527,014</i>	<i>\$4,059,753</i>	<i>\$5,942,640</i>	<i>\$6,469,285</i>
Expenditures					
Personal Services	\$2,635,631	\$1,783,341	\$3,465,692	\$4,355,909	\$4,747,941
Services & Supplies	\$288,082	\$333,921	\$408,921	\$426,096	\$443,566
<i>Total Expenses</i>	<i>\$2,923,713</i>	<i>\$2,117,261</i>	<i>\$3,874,613</i>	<i>\$4,782,005</i>	<i>\$5,191,507</i>
Ending Fund Balance	\$388,829	\$1,409,753	\$185,140	\$1,160,635	\$1,277,778

Projections as of May 2024 used to inform Department's POP 102.