



# Oregon

Tina Kotek, Governor

## Water Resources Department

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### Testimony for House Bill 2808

#### House Committee on Agriculture, Land Use, Natural Resources and Water

Co-Chair Ken Helm

Co-Chair Mark Owens

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Thank you for the opportunity to provide testimony in support of House Bill 2808, which increases fees administered by the Oregon Water Resources Department. The Department's well construction program activities are largely supported by fees that need to be increased to maintain existing staffing and service levels. The fee increases proposed are 40% for start card fees, and 10% for well driller licensing and landowner permit fees. This proposed fee increase will maintain existing staffing levels in this program through the 2027-29 biennium.

### House Bill 2808

This bill proposes a 2025-2029 fee schedule to support well inspection and driller support programs by increasing the start card fee 40% and increasing well driller licensing and landowner permit fees by approximately 10% to maintain existing staffing levels between 2025-2029 (Table 1.)

If the revenue shortfall for the start card fee is not filled, the program will reduce by 6 FTE at the start of the 2027-29 biennium. This staff reduction will hinder the agency's ability to meet the statutory requirement for technical well report review and will result in fewer on-site well inspections. More construction deficiencies will go unidentified and unresolved, which may lead to waste or contamination of groundwater, posing a threat to public health for those relying on groundwater.

If the revenue shortfall for well driller licensing and landowner permit fees is unaddressed, resources will be inadequate to maintain an ending fund balance in the 2027-29 biennium, and the Department will need to reduce staffing to levels that can be supported with available general fund and fee revenues. Staffing reductions may reduce customer service needed to assist new and existing well drillers with licensing.

**Table 1. Well Construction Program Fees**

Fee Name	Current Fee	Proposed Fee (HB 2808)	Last Two Increases
Start Card	\$350	\$490	2009, 2021
License Exam Fee	\$20	\$25	1981 (established)
License Fee / Renewal (Expired Renewal)	\$150 (\$250)	\$165 (\$275)	1981, 2001
Continuing Education	\$40/credit hour*	\$45/credit hour**	2007 (established)
Landowner Permit	\$500	\$550	1981, 2017

\* Total fees per day may not exceed \$250; \*\* Total fees per day may not exceed \$275

## **Well Construction Program Background**

The well construction program protects public health and safety by preventing improperly constructed wells. Improperly constructed wells can serve as a conduit for groundwater contamination and commingle aquifers, resulting in groundwater waste. The well construction program licenses well drillers, administers a continuing education program, enforces well construction standards, issues special standards, accepts “start cards” from drillers for beginning work, reviews “well logs” once work is complete, inspects wells for deficiencies, and supports other activities. A total of 15.68 FTE work in or support the well construction program, funded by both general fund and fees. These positions support well inspections, licensing, program development, oversight and compliance, as well as information technology and administrative services.

There are more than 250,000 wells in Oregon, with approximately 3,000 new wells drilled each year. In 2021, the Department was resourced to implement new statutory obligations to complete a technical review of 100 percent of well logs submitted within 120 days of receipt (ORS 537.765). Those resources also allow the Department to conduct field inspections of about 30 percent of new wells drilled.

*Start Card Fees:* Start card fee revenue provides resources for 9.87 FTE (just over one-half of the total program FTE) that offer technical, inspection, data, administrative, and enforcement support for the well program. By statute the Department may not spend more than of 5% on administrative staff and not more than 20% on technical staff and at least 75% of fee funds must be spent on field and enforcement staff. Start card fees are paid by licensed and bonded drillers prior to constructing a new well or when deepening an existing well. Start card fees were last increased in 2021; at the time the Department was aware that those fees were inadequate to build up a sustainable ending fund balance, but there was not support for a greater increase. Most start card fee revenue is seasonal because well drilling is impacted by weather conditions. The current start card fee is \$350.

*Permit and Licensing Program Fees:* Landowner permit and well driller licensing program fees fund 0.57 FTE which administers the well constructor license examinations, issues driller licenses, supports the well constructors continuing education committee, maintains the well constructors continuing education database, reviews the documentation associated with landowner permit applications, and processes and mails the landowner permit paperwork. The fees include license and renewal fees, landowner permit fees, continuing education course fees, and driller exam fees. There are currently 355 licensed well drillers in Oregon, and in 2024, 17 new drillers were licensed. Many of the licensing fees have not been increased in decades; Table 1 provides the four fees covered that support this work.

## **Fee Revenue and Cost Drivers**

*Increased employment costs:* For 2023-2025, the Department saw actual and projected personal service costs (PERS, health care, etc.) and related supply and service costs increase much higher than typical biennial projections. This was due to statewide compensation changes resulting from collective bargaining agreements, increased inflationary costs reflective of current economic conditions, and a DAS equal pay (Pay Equity) analysis that increased salaries for some staff. The 2025-27 budget instructions from DAS, included inflation factors for personal services costs and services and supplies costs for the 2025-27 biennium (14.5% and 4.2%, respectively) and 2027-29 biennium (9% and 4.1%, respectively), which is what the fee increase package calculations are based on.

The statewide salary pot provides most of the resources to cover increased costs of general fund positions but does not provide funding for cost increases associated with fee-funded positions. As such, higher labor costs this biennium and projected for 2025-2029 require fee increases to cover program costs.

*Rebuilding ending fund balances:* Budget instructions recommend agencies with programs supported by Other Funds revenues retain enough ending balance to cover cash flow needs and contingencies. Due to the seasonality of these revenue streams, the desired ending fund balances for the start card fund is 6 months and 3 months for licensing and permit fees. Failure to maintain adequate ending fund balances can result in insufficient reserves to cover program costs. For example, during times when fewer start cards are being submitted, inadequate reserves could lead to service reductions or the need to seek additional funding assistance to cover the gap.

Beginning in 2021 the Department incorporated a small ending fund balance into the fee increase for the start card fund, however, it was inadequate to achieve the desired 6-month ending fund balance. The proposed fee increase would result in building the EFB up to meet desired cash flow needs of 3-6 months of expenses. Note that without the fee increase, the Department projects that it will have a shortfall immediately at the beginning of the next biennium that will require a reduction in staff.

*Increased complexity of work:* Well construction standards are set in rule and require approval from the Department if circumstances necessitate deviation from regulatory requirements. Special standards mandate that the proposed work method submitted by the driller ensures, at a minimum, the same level of resource protection as specified in the rules. Reviewing, researching, and processing these special standards is technically complex and time consuming. It may involve dedicating numerous hours over several days to process a request for special standards, to conduct multiple consultations, and to perform site visits to verify the accuracy of the submitted information and ensure compliance with the approved order. Special well construction standards represent about 10% of all start cards.