

WATER RESOURCES DEPARTMENT

The Water Resources Department (WRD) was established in 1909 and is authorized by the Water Rights Act. By law, all surface and ground water in Oregon belongs to the public. The Department’s mission is to “serve the public through wise and sustainable water management.” WRD accomplishes this through the protection of stream flows and watersheds and by directly addressing Oregon’s water supply needs including protecting existing water rights, facilitating voluntary streamflow restoration, increasing understanding of the demands on the state’s water resources, providing accurate and accessible water resource data, and facilitating water supply solutions.

WATER RESOURCES DEPARTMENT	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
General Fund	19,268,371	20,359,297	23,640,461	25,109,984	0	16.1%
Lottery Funds	348,455	732,384	574,025	1,623,026	0	
Other Funds	9,560,735	29,162,165	13,289,661	37,963,256	0	-54.4%
Federal Funds	646,093	1,195,479	1,276,373	1,275,645	0	6.8%
TOTAL FUNDS	\$29,823,654	\$51,449,325	\$38,780,520	\$65,971,911	\$0	-24.6%
Positions	148	146	142	161	0	-2.7%
FTE	146.26	144.59	141.09	159.42	0.00	-2.4%

Major Revenues	Budget Environment	Comparison by Fund Type																								
<ul style="list-style-type: none"> General Fund supports 52% of the agency’s operating programs. For the 2013-15 biennium, the current service level is \$23.6 million. Lottery Funds are used to pay debt service on Lottery revenue bonds authorized in 2009 by the Legislature associated with the Umatilla Basin critical ground water projects; development of an integrated water resources strategy; grants for evaluating the feasibility of developing a water conservation, reuse, or storage project; and administrative costs to re-establish a loan program for water development projects. The other major source of revenue for the Department operating costs is Other Funds revenue from fees and charges for services, 	<ul style="list-style-type: none"> Surface waters in most of the state are fully appropriated by existing out-of-stream and in-stream uses, except during periods that fall outside of the irrigation season when stream flows are generally higher. There are also a number of areas in Oregon that are experiencing reductions in ground water supplies. The Department’s ability to manage the increasing demand for water as the population of the state grows, while at the same time manage the environmental and long term sustainability of the resource is impeded from a lack of data on both surface and groundwater on which to base decisions and declining resources to collect and manage the data. 	<table border="1"> <caption>WATER RESOURCES DEPARTMENT Revenue (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>General Fund/Lottery</th> <th>Other Funds</th> <th>Federal Funds</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$19.6</td> <td>\$9.6</td> <td>\$0.6</td> </tr> <tr> <td>2011-13</td> <td>\$21.1</td> <td>\$29.2</td> <td>\$1.2</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$24.2</td> <td>\$13.3</td> <td>\$1.3</td> </tr> <tr> <td>2013-15 GB</td> <td>\$26.7</td> <td>\$38.0</td> <td>\$1.3</td> </tr> <tr> <td>2013-15</td> <td>\$0.0</td> <td>\$0.0</td> <td>\$0.0</td> </tr> </tbody> </table>	Year	General Fund/Lottery	Other Funds	Federal Funds	2009-11	\$19.6	\$9.6	\$0.6	2011-13	\$21.1	\$29.2	\$1.2	2013-15 CSL	\$24.2	\$13.3	\$1.3	2013-15 GB	\$26.7	\$38.0	\$1.3	2013-15	\$0.0	\$0.0	\$0.0
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<p>which is 41% of the revenue not including bond proceeds. Other Funds revenue sources include start card fees (well drilling), water right and transfer fees, exempt ground water use fees, interest earnings, and payments from various county and state agencies for contracted services.</p> <ul style="list-style-type: none"> • The 2009 Legislature increased well start cards, water rights, and transfer fees to 50% cost recovery and implemented a new fee for exempt wells. The 50% cost recovery fees will sunset in 2013 and fees would revert to levels first established in 2003. • The Department assumed legislative approval of continuing the water right transaction fees that are due to sunset in 2013 representing about \$2.1 million in Other Fund revenue. The agency also assumes approval of a new fee to manage water rights to be phased in over the next two biennia, representing about \$2 million in 2013-15 and \$10 million in future biennia. • The Department assumed \$21.4 million from bond proceeds to fund water development projects in the Columbia River Basin. • Federal Funds received through the Federal Emergency Management Agency (FEMA), Bureau of Reclamation, and other federal agencies represents about 3% of the budget. 	<ul style="list-style-type: none"> • Listings and potential listings under the Endangered Species Act and water quality issues increase the complexity of water allocation decisions. • Most of Oregon’s river basins east of the Cascade Mountains have been adjudicated of pre-1909 water rights, tribal water rights, and other federal reserved water rights. Only a few of the river basins west of the Cascades have been adjudicated. The administrative phase of the Klamath Basin Adjudication will be completed by the end of the 2011-13 biennium and then the case will be transferred to the Klamath County Circuit Court. 	

MAJOR CHALLENGES AND DECISION POINTS

1. The Governor's budget (GB) requests spending authority for a total budget of \$38.8 million of which \$23.4 million is General Fund, \$38 million is Other Funds, and \$1.3 million is Federal Funds. The total GB is a 28.2% increase over the 2011-13 legislatively approved budget of \$51.4 million. Included within this request are reductions for statewide administrative savings, PERS taxation policy and other PERS adjustments totaling \$324,097 total funds of which \$215,318 is General Fund, \$106,998 Other Funds, and \$728 Federal Funds.
2. Several funding initiatives are based on recommendations from the Integrated Water Resources Strategy (IWRS) that was finalized in August 2012. http://www.oregon.gov/OWRD/pages/law/integrated_water_supply_strategy.aspx Implementation of the recommendations is one of the Governor's Natural Resource priorities. The following requests for funding are directly related to the IWRS:
 - a. Adds \$415,531 General Fund, \$947,488 Lottery Funds, and \$10,242,513 Other Funds to implement HB 2256 utilizing bond proceeds for a water supply development program, which would be modeled on the State of Washington's Columbia River Program approved in 2006. The legislation provides authority for WRD to take an active role in opportunities to invest in, purchase, broker, and develop new in-stream and out-of-stream water supplies. This could include above and below ground water storage. Funds projects in the Columbia, Willamette, Rogue, and other basins. Fulfills recommendation on page 97 (10e) of the IWRS to encourage additional water reuse projects.

Adds \$101,513 Lottery Funds and \$890,976 Other Funds resources utilizing bond proceeds to continue the effort approved in 2008 to provide feasibility study grants to local entities. Fulfills recommendation on page 118 (13.C) of the IWRS to fund communities needing studies for water conservation, storage, and reuse projects.
 - b. Adds \$209,004 General Fund and one permanent full-time position for coordination of implementing recommendations identified in the Integrated Water Resources Supply strategy which requires updating every five years. This is a companion package to packages in the Department of Environmental Quality (DEQ), Department of Fish and Wildlife (ODFW), and Department of Agriculture (ODA) to fund development of project details for legislative action, scientific, outreach, and policy obligations coordinated among state, local, federal, and private landowners. Fulfills recommendation on page 114 (13a) of the IWRS to fund implementation of the IWRS.
 - c. Adds \$11,061,191 Other Funds for bond issuance, issuance costs, and loans related to \$10 million in General Obligation bonds authorized by the 2009 Legislature to finance the next phase of the Umatilla water development projects to store winter water from the Columbia River in an underground aquifer for agricultural use in the Columbia River Basin. Fulfills recommendation on page 92 (10b) of the IWRS to improve access to built storage.
 - d. Adds \$366,856 General Fund to fund two permanent positions, a Hydrologist and Water Right Application Processor (2.00 FTE) for data collection on geographical and ecological differences among water basins throughout the state to develop rules, guidelines, and/or policy recommendations for instream flow protections that will lead to allowing application for in-flow water rights to be issued. Currently instream water rights not being issued to protect elevated streamflow. Fulfills recommendation on page 100 (11B) of the IWRS to develop additional instream protections.

3. Several other funding initiatives are aimed at restoring reductions in General Fund from previous biennia. These include:
 - a. Partially restores funding for groundwater studies reduced over the past several biennia from \$1.2 million to \$0 due to limited General Fund resources; \$250,000 General Fund would be used to leverage Federal Funds (1:1) to conduct studies critical to understanding the relationship between surface water and groundwater and ensuring the sustainability of groundwater resources for future generations. Restores watermasters in the Wallowa Basin and Klamath Basins. State and county budget reductions have reduced the watermaster corps. The positions are needed to rebuild field capacity to meet the water distribution and water supply demands.
 - b. Reinstates \$174,363 General Fund and a permanent NRS 3 position (1.00 FTE) to monitor compliance with governmental entities measuring and reporting the amount of surface water and groundwater diverted for beneficial use.
 - c. Adds \$40,000 General Fund to recapitalize the Measurement Cost Share Fund to assist with the purchase and installation of measurement devices on significant points of diversion of water in high priority watersheds.
4. Several other funding initiatives are aimed at restoring reductions in Other Funds from previous biennia. These include:
 - a. Continuing \$167,080 Other Funds for a limited duration assistant watermaster as a permanent position in the Deschutes Basin which was approved as limited duration. The position has been funded for many years with funds from the counties of Deschutes, Jefferson, Crook, and Klamath.
5. Three additional funding initiatives are related to proposed legislation:
 - a. *The agency's budget request includes \$1,996,342 Other Funds and 7 positions to support implementation of a legislative concept (SB 217) to establish and implement a water right management fee. The proposed fee is estimated to raise \$10 million per biennium starting in the 2015-07 biennium, with \$2 million available to be used in the 2013-15 biennium for implementation. The fee could allow for more stable funding than General Fund for core scientific, field-based, and planning responsibilities.
 - b. Adds \$369,117 Other Funds to support a legislative concept (HB 2258) allowing the name on a water right certificate to be changed voluntarily. Applicants for this voluntary process would pay for the full cost of processing updating the names on a certificate. The Department will conduct a rulemaking process to establish procedures. The Department anticipates hiring two permanent full-time staff (2.00 FTE) to coincide with the adoption of any necessary rules required to implement the program.
 - c. *Adds \$996,211 Other Funds to retain permit writing staff paid for by fees on water right transactions which sunsets on July 1, 2013. The current fee schedule funds about \$2.1 million worth of work and 16.00 FTE in the Water Rights Division. A roll-back to 2003 levels would decrease both the funding and staffing levels by 7.00 FTE and \$1 million. This package is dependent on passage of HB 2269 extending the water right transactions fee schedule adopted in 2009, standardizing the fee schedule, and removing the sunset.

* See attachment for additional information on this item.

MAJOR CHALLENGES AND DECISION POINTS

Water Resources Department

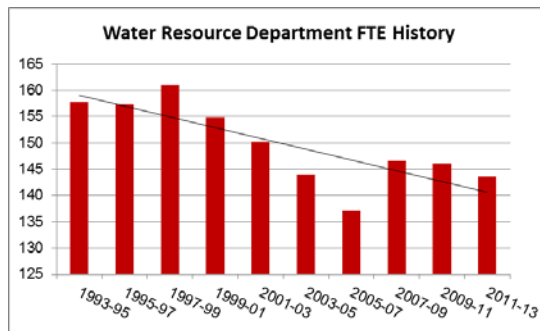
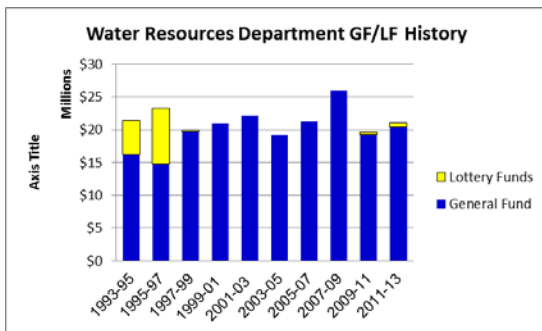
Analyst: Jordan

1. **5a. New Fees:** Legislation is proposed to establish water rights maintenance fee for the Water Resources Department.

Under Oregon law, all water is publicly owned. Waters of Oregon belong to the public. With limited exceptions, no use may be made of the public’s water without a water right. A water right is a “use right.” Landowners with water flowing past, thru, or under their property do not automatically have the right to use that water without a permit from the Water Resources Department (WRD). WRD provides legislatively mandated direct services to protect existing water rights, both in the evaluation of new water right applications and in the administration and distribution of the available water supply for those users with water rights of record. With the exception of a “one-time” application fee, water users make use of these very valuable water rights in their businesses without ever paying to ensure the ongoing protection and management of these rights.

Water rights are obtained in a three-step process. The applicant first must apply to WRD for a permit to use water. Once a permit is granted, the applicant must construct a water system and begin using water. When water is applied, the permit holder must hire a certified water rights examiner to complete a survey of water use and submit to WRD a map and report detailing how and where water is being applied. If water has been used according to the provisions of the permit, a water right certificate is issued based upon the report findings.

The Water Resources Department, which is heavily dependent on the General Fund for its operating budget, has experienced a declining share of the General Fund, as well as declining dollars overall for the past two decades resulting in reductions in personnel and WRD’s ability to deliver services required under the statute in a timely manner. This is compounded by a corresponding decrease in water management funds from county and federal partners. These declines come at the same time that water resource workload is increasing in complexity, particularly as it relates to groundwater science. The Water Resources Commission has been concerned about these trends and formed a revenue enhancement subcommittee, which met with more than 40 stakeholder groups during the past two years.



One revenue solution explored by the Water Resources Commission and its subcommittee is an annual fee, charged to all those holding a water right (e.g., a permit, certificate, or decree). These water rights are used beneficially for industrial, agricultural, municipal, and in-stream purposes. This concept assumes that all water right holders would be subject to an annual fee of \$100 per water right. However, the Department has also assumed in its

calculations a cap of \$1,000 for all those holding multiple water rights except municipal customers who have a rate-paying base to assist with the costs.

There are currently 85,000 water rights in Oregon. Assuming water right holders would cancel a number of these rights, rather than pay a fee, and assuming significant implementation costs during the first biennium, the Water Resources Department has estimated net revenues of \$8 to \$12 million, beginning in the second biennium after the program is established, thereby freeing up General Fund for other legislative purposes. Revenues would pay for implementation costs of the program, as well as the cost of the critical field and science work that help ensure water availability for beneficial uses.

MAJOR CHALLENGES AND DECISION POINTS**Water Resources Department**

Analyst: Jordan

1. **5c.** Fees adopted by the Legislature in 2009 to replace \$2.6 million General Fund in the Water Resources Department sunset July 1 2013. A legislative concept extends the water right transactions fee schedule, standardizes the fee schedule, and removes the sunset.

SB 788 (2009) established and modified permit fee schedules for the 2009-11 and 2011-13 biennia for applications regulated by the Water Resources Department to meet a cost recovery level of around 50%. Revenues raised by the fees were allowed to be used for evaluating ground water supplies, conducting ground water studies, carrying out ground water monitoring, and administration and enforcement of exempt ground water under the law. The Legislature opted for establishing and modifying these fees in order to avoid substantial reductions in the Department's ability to maintain current services resulting from reduced availability of General Fund. The Legislature subscribed to the belief that the amount of technical information and scientific data available is a key factor for insuring that the state is in a position to meet its water needs into the future. A sunset was included so that the Legislature could revisit the adequacy of the fees and cost recovery level of 50% if General Fund resources continued to be inadequate.

The Department's fees for all water right transactions are set in statute. The current fees are due to sunset in 2013. If this occurs, fees will revert back to levels that were set in 2003 and continued until 2009. The current fee schedule funds about \$2.1 million worth of work, or 16 permit writers in the Water Rights Division. A roll-back to 2003 levels would decrease authorized funding levels and would decrease staff by 7 FTE, resulting in drastically reduced service to customers.

The legislative concept: (1) removes the sunset, (2) creates two additional fees, to bring consistency to the overall fee schedule, and (3) adjusts the current schedule of fees to account for the increased cost of doing business; these increased costs are set each biennium by the Oregon Department of Administrative Services and are estimated at 13 percent for the 2013-15 biennium. This would maintain the 50-50 split between General Fund and fees negotiated in 2009 if the 2013-15 budget is approved at the funding level requested.