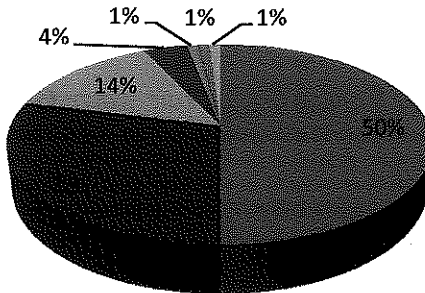


2013-15 Governor's Balanced Budget

General Fund Allocations Between Program Areas

Education
 Human Services
 Public Safety
 Judicial
 Natural Resources
 Administration
 All Other



Change in Spending 2003-05 to 2013-15

Natural Resources						Statewide Total					
Fund Type	\$ in Millions			% change		Fund Type	\$ in Millions			% change	
	Year	03-05 Actual	11-13 LAB	13-15 GBB	03-05 to GBB		11-13 to GBB	Year	03-05 Actual	11-13 LAB	13-15 GBB
General Fund	115,267	130,829	167,109	45.0	27.7	General Fund	10,221,351	13,723,770	15,408,134	50.7%	12.3%
Lottery Fund	107,656	169,151	169,456	57.4	0.2	Lottery Fund	739,614	1,063,004	835,486	13.0%	-21.4%
Other Fund	788,517	1,141,733	1,155,892	46.6	1.2	Other Funds	19,788,369	29,133,688	26,701,592	34.9%	-8.3%
Federal Fund	203,198	320,101	267,476	31.6	-16.4	Federal Funds	7,966,276	14,922,962	17,242,768	116.4%	15.5%
TOTAL	1,214,638	1,761,814	1,759,933	44.9	-0.1	TOTAL	38,715,610	58,843,424	60,187,980	55.5%	2.3%
NR % of GF Total	1.13%	0.95%	1.08%	-4.4%	13.7%						
NR % of All Funds	3.1%	3.0%	2.9%	-7.0%	-0.3						

Expenditures for Oregon's Natural Resources programs as a proportion of the state budget have declined both in terms of General Funds, and in terms of All Funds. For 2013-15, declining Federal Funds and flat Lottery revenue and Other Funds create a significant challenge. The Governor's Balanced Budget addresses this challenge by reinvesting General Fund dollars for these programs.

Oregon's Natural Resources Agencies

Agriculture	Columbia River Gorge Commission	Energy
Environmental Quality	Fish and Wildlife	Forestry
Geology & Mineral Industries	Land Conservation and Development	Land Use Board of Appeals
State Lands	Marine Board	Parks and Recreation
Water Resources	Watershed Enhancement Board	



10 Year Plan for Oregon Project

Healthy Environment Policy Vision

Healthy Environment Outcome: *Manage Oregon's air, water, land and wildlife resources to support a healthy environment that sustains Oregon communities, Oregon's economy and the places Oregonians treasure.*

Oregon continues to be a state that relies heavily on its natural resources both as a direct source of economic output and jobs, and as a key aspect of how we define the place we live. Oregon's healthy environment continues to draw talent and innovation to our communities. Almost 37% of our economy is derived from natural resource-related industries, and approximately 550,000 Oregonians work in natural resource-related fields, or jobs supported by those industries, making up over one-third of our state's employment.

Governor Kitzhaber's 10-Year Plan for Oregon includes five long-term strategies to support a healthy environment.

Strategy 1: Improve water quality and air quality.

Strategy 2: Conserve, protect and restore key watersheds, fish and wildlife species, and improve forest and rangeland health.

Strategy 3: Reduce Oregonians' exposure to toxics.

Strategy 4: Help to build great communities for a growing population.

Strategy 5: Improve the effectiveness and efficiency of natural resources management in Oregon, and provide a stable base for addressing existing and emerging resource challenges.

The Governor's Balanced Budget (GBB) for 2013-15 makes a substantial overall investment in the environment and natural resources by restoring General Fund dollars to programs in these areas (in part, to offset flat revenue growth in Lottery Funds). In addition, there are four major areas of investment and innovation in the recommended budget:

Water quality. The Governor is proposing to invest an additional \$4.1 million to build and strengthen Oregon's coordinated water quality strategy, involving all sectors of our economy, and providing the monitoring required to focus resources where they are most needed.

Multi-purpose water resources development. The Governor's Balanced Budget provides a substantial down payment—more than \$30 million—to begin implementing Oregon's Integrated Water Resources Strategy (IWRS), adopted in 2012. This funding is the first phase of a new state role in promoting multi-purpose water resources development that will yield both rural economic development and conservation benefits.

Sustainable forestry. The budget contains several proposed investments in sustainable forest management, including completing the acquisition of the Gilchrist State Forest in Central Oregon, funding to support collaborative forest projects on federal lands in Eastern Oregon, and funding to reduce overall wildfire costs.

Lower Columbia fisheries management. The GBB invests \$3.6 million to supplement fishing opportunities in off-channel areas of the lower Columbia. In addition, the Governor is supporting a transition fund of \$1.6 million to avoid negative economic impacts to commercial fisheries.

Governor Kitzhaber's Balanced Budget

Investments in Water Quality and Coordinated Monitoring

Governor's Natural Resources Office
Inter-agency Budget Memo
February 4, 2013

Oregon has been a national leader in restoring and protecting water quality. With groundbreaking programs and substantial efforts by the private sector, Oregon has earned the reputation as an environmental leader. Oregon's state natural resource agencies have a long and successful history of working together to improve water quality in a manner that is strategic, efficient and effective.

Over the past ten years, however, Oregon has failed to keep pace in protecting water quality despite the fact that Oregonians consistently identify water quality as their leading environmental concern. With population continuing to increase, along with drier summers and warmer temperatures, it will be increasingly difficult to achieve and maintain good to excellent water quality in Oregon's waterways. The Governor's 10-year plan objective is to continue to reduce the percentage of streams with declining water quality and to assure that water quality is improving throughout the state by 2022.

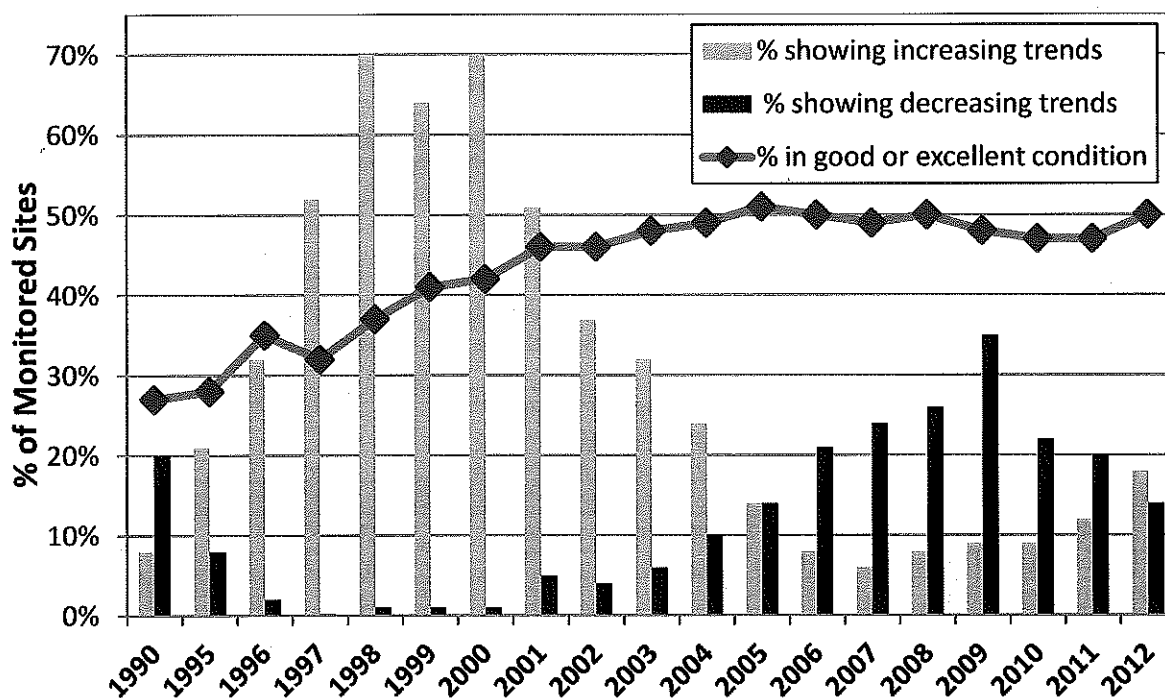


Figure 1: DEQ's laboratory developed the Oregon Water Quality Index to track water quality trends across the state. This index combines eight water quality measurements such as nutrients, fecal bacteria, pH and dissolved oxygen into a single number to describe general water quality conditions. Data from a network of approximately 130 ambient river monitoring sites representing major streams throughout the state are analyzed on a yearly basis. Trends are determined based upon the most recent ten year period.

The Governor's Balanced Budget makes a substantial investment – over five million dollars – to begin reversing the disinvestment in water quality programs.

This memo provides an overview of the budgetary proposals the Governor has advanced for the 2013-15 biennium, recognizing that additional investments may be needed to sustain water quality improvements as our state's population continues to grow.

Enterprise Monitoring

A significant part of the Governor's investment in water quality builds upon a cross-agency enterprise approach to monitoring water quality and watershed health. Under this enterprise approach, state agencies have implemented a number of useful and productive monitoring efforts under current service level programs. One example is the Wilson River basin restoration project that led to dramatic improvements in water quality over the past ten years. The Governor's investment proposes to begin scaling up this approach to other basins in the state, allowing resources to be targeted to where they will have the greatest effect. The enterprise monitoring program and Wilson River project is described in a separate memo, appended to this document.

2013-15 Investments in Water Quality				
Agency and Package #	Package Description	Funding	Positions	Funding Source
Water Quality Monitoring				
Targeted Water Quality Monitoring				
DEQ - 122	DEQ Oregon Plan Monitoring: collect and assess data on aquatic biological communities to understand impacts on watershed health	238,161	2.00	GF
Nonpoint Source Monitoring Program Enhancement				
ODF - 452	Integrated Effectiveness Monitoring: Evaluate protections standards for headwater stream processes and conditions	465,997	1.00	GF/OF
ODA -325	Water Quality Monitoring: Track changes in riparian conditions; fund additional ambient water quality monitoring	962,654	3.00	GF
Water Quality Management				
Pesticides				
ODA - 315	Pesticide Outreach: Continue outreach on lawful use of pesticides and compliance monitoring activities	463,534	2.00	OF
ODA - 320	Pesticide Stewardship Program (½ Fees, ½ GF): Implement an effective collaborative program to address pesticide-related water quality issues across all land uses in a more cost-efficient alternative to regulatory approaches	1,380,483 (747,942 transferred to DEQ)	1.00	GF/OF
DEQ - 320	Pesticide Stewardship Program: Collect data and coordinate with partners to address pesticide-related water quality issues across all land uses in a cost-efficient alternative to regulatory approaches	747,942	4.00	OF transfer from ODA
Water Quality Program Continuity				
DEQ - 090	Replacement of LF/OF/FF shortfalls: Restores three wastewater permitting and three TMDL positions	1,505,084	6.00	GF
Nonpoint Source Coordination				
DEQ - 127	IWRS Implementation: Provide technical assistance for local water resource projects and implementation of the Integrated Water Resources Strategy	474,187	2.25	GF

Water Quality Monitoring:	1,600,413	GF
	66,399	OF
	\$1,666,812	Total
Water Quality Management:	2,727,213	GF
	1,096,030	OF
	\$3,823,243	Total

The Governor's Balanced Budget also includes targeted investments for water resources management and development, and for salmon recovery efforts. These investment proposals are described in separate budget memos.

An Enterprise System for Natural Resource Monitoring



What is the Enterprise System for Natural Resources Monitoring?

Oregon's natural resource agencies manage our air, water, land and wildlife resources to support a healthy environment that sustains communities, our economy, and the places we all treasure. The Enterprise Monitoring System builds on existing collaborative monitoring efforts to achieve environmental outcomes more efficiently, cost effectively and with better results. By sharing capabilities and capacities we maximize the efficient use of state resources, information and know-how. Environmental information and data produced through enterprise monitoring will measure and guide progress toward achieving the vision described in the Governor's 10-Year Plan for Healthy Environments.

Data-Driven Decision Making

Monitoring and assessment are the foundation for effective natural resources management and informed decision making. Monitoring programs provide the information Oregon needs to identify and prioritize problems, target actions where they will have the most benefit for the least cost, and determine what is working and what is not. Without sufficient data Oregon runs a risk of implementing programs that fail to produce the desired results, or that do so inefficiently. Monitoring data are also needed in some circumstances to permit new activity, meet regulatory requirements and to achieve other objectives. Monitoring data allow us to recognize and reward success, while focusing resources where they are most needed.

Building Upon a Solid Framework

Natural resource issues cut across agency boundaries. For example, water quality affects aquatic life and municipal and business interests; while forestry, agriculture and urban development affect water

quality. Oregon's natural resources agencies and their partners have a 15-year history of working together to protect and restore Oregon's watersheds under the framework of the Oregon Plan for Salmon and Watersheds. The Oregon Plan advanced cross-agency collaboration on monitoring, assessment, planning and implementation activities. These efforts have been important components of programs such as the Forestry Program for Oregon, Total Maximum Daily Loads, Agricultural Water Quality Program Water Quality Management Plans, and salmon recovery efforts. However, additional investments in monitoring are needed to implement the Governor's 10-year plan.

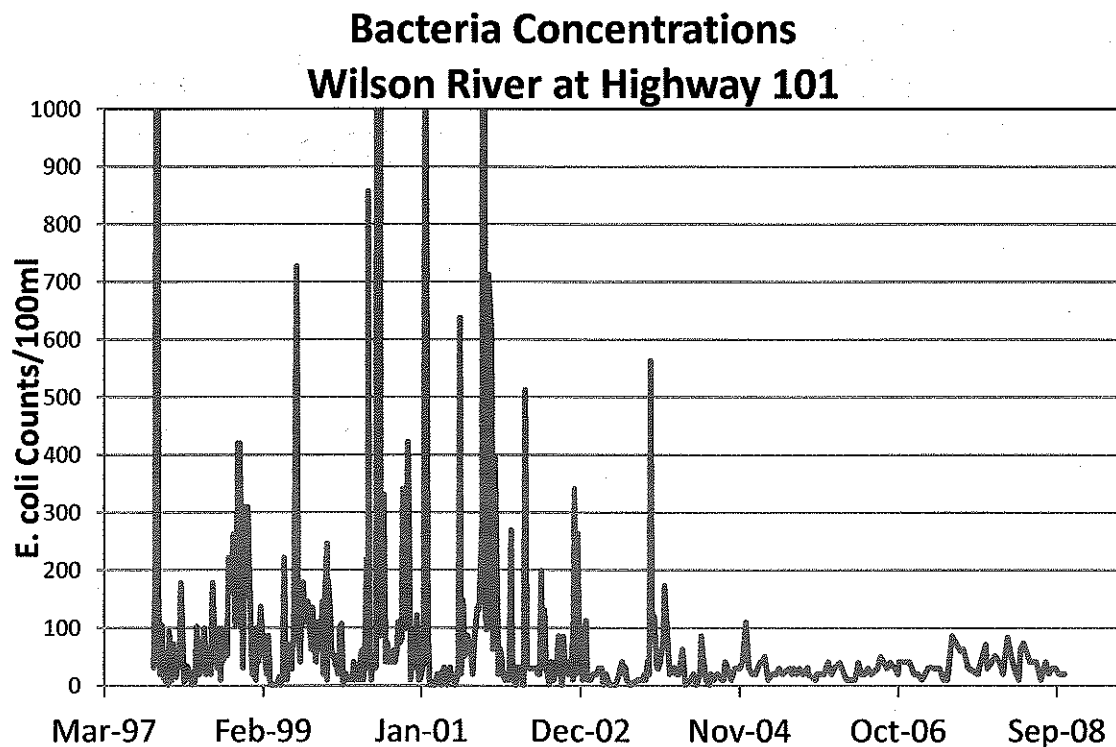


Figure 1: Collaborative monitoring and restoration activities have been extremely effective. Tillamook basin's Wilson River had a long history of unsafe concentrations of bacteria. Monitoring information brought stakeholders together to address a serious water quality issue, and helped them focus resources on correcting the sources of pollution. The combined efforts of DEQ, ODA, Tillamook Estuaries Partnership, Tillamook County Creamery Association, the SWCD and local producers resulted in dramatic improvements in Wilson River water quality in a short time span.

Investment Needed

Greater upfront investment in strategic monitoring and data collection leads to better program outcomes such as clean water and better policy decisions. Agency leadership and stakeholders recognize that Oregon needs to invest in natural resource monitoring to provide the information needed to wisely manage these precious resources, comply with legal mandates, support economic development and achieve public and private interest outcomes. Needs include filling data gaps and making improvements in how we gather, process and share environmental data and information.

Natural resource agencies are approaching the 2013-2015 biennium understanding the need for smart investment and demonstrating an Enterprise Monitoring approach. To be successful, we must have an integrated monitoring system that will support the right decisions around natural resources and their beneficial uses.

Governor Kitzhaber's Balanced Budget

Investments in Water Resources Management and Development

**Governor's Natural Resources Office
Inter-Agency Budget Memo
February 4, 2013**

Oregon must anticipate and respond to the changes that are affecting our water resources and water needs. Oregon is continuing to grow, and our economy relies heavily on water for agriculture and other industries. In an increasing proportion of the state, water is a limiting factor for economic growth. Change is also coming as our climate becomes warmer, with resulting declines in mountain snowpack and shifts in our forests and rangelands that create challenges for our fish and wildlife as well as a loss of natural water storage from winter snow.

These challenges are addressed in Oregon's first Integrated Water Resources Strategy (IWRS). The IWRS was developed through the input of a broad range of interests, culminating in its adoption by the Water Resources Commission on August 2, 2012. The Strategy is designed to respond to all of Oregon's water resources needs, for out-of-stream uses of water as well as for ecological needs. The full text of the IWRS and draft 2012-2017 workplan can be found at: www.wrd.state.or.us.

The Governor's Balanced Budget provides a substantial down payment—more than \$30 million—to begin implementing the IWRS. This is an overview of the budgetary proposals the Governor has advanced for the 2013-15 biennium, recognizing that meeting our state's water resources needs will require sustained investment over a long period of time.

Budget Packages

Budget elements in this memo fall into two main areas: water resources management and water resources development. Water management includes improved reporting and oversight of water use in order to protect existing rights and facilitate voluntary water transactions. It also includes work to assure that in-stream flow needs are understood, and that progress is being made to meet those needs.

Water resources development funding is intended for use in leveraging private and public funding of projects that have multiple public benefits, including water conservation, watershed restoration efforts, and water supply development. Other western states, particularly California & Washington, take an active role in the development of water supply to benefit both instream and out-of-stream uses. This on-going statewide water resources development program will improve our collective ability to foster multi-purpose storage projects (above and below ground), improved and expanded access to existing storage, water conservation, water re-use, water right transfers, and other actions that make more efficient use of partnerships, technology, data, and funding resources.

At this stage, the program involves an integrated, cross-agency team. Decisions regarding project funding will be informed by an advisory body that will provide stakeholder input into funding decisions. Recommendations from the Columbia River-Umatilla Solutions Taskforce are likely to serve as some of the early action items for this program.

The following table is organized according to two major program areas: (1) water resources management, and (2) water resources development. The table summarizes the proposed investments, with references to associated legislative proposals.

A separate memo addresses proposed investments in water quality-related programs, some of which are also included in the Integrated Water Resources Strategy.

2013-15 Implementation of the Integrated Water Resources Strategy: Agency Packages

Agency Package	Brief Package Description	Funding	FTE	Funding Source	Related Bill #	Related IWRS Action
Water Resources Management						
Continue Implementation of the Integrated Water Resources Strategy (IWRS)						
WRD - 201	IWRS Implementation	\$ 209,004	1.00	GF	None	IWRS #13a
Groundwater Investigations						
WRD - 202	Groundwater Basin Investigations—federal cost share match	\$ 250,000	None	GF	None	IWRS #1a-c and 6a
DEQ - 128	Groundwater Monitoring—two areas assessed per year	\$ 460,000	0.66	GF	None	IWRS #1a-c
Water-Use Measurement & Reporting						
WRD - 101	Water-Use Reporting—reinstate coordinator to assist water users	\$ 174,363	1.00	GF	None	IWRS #2b
WRD - 103	Measurement Device Cost Share—recapitalize fund	\$ 40,000	None	GF	None	IWRS #2b
Instream Resources						
WRD - 102	Hydrologist—staff review of instream applications	\$ 366,856	2.00	GF	None	IWRS #3a and 11b
ODFW - 116	Biologists—conduct studies to identify and prioritize fish streamflow needs	\$ 249,144	1.67	GF	None	IWRS #3a and 11b
ODFW - 111	Aquatic Invasive Species Control—compliance, boat inspections, removal	\$ 1,014,649	8.04	OF (Fees)	None	IWRS #11c
Re-Build Field Capacity						
WRD - 203	Watermasters—Wallowa County and Klamath Basin	\$ 342,333	1.83	GF	None	IWRS #2c & 10
WRD - 108	Water Right Management Fee—pays for field and scientific expertise	\$ 1,996,342	7.00	OF (Fees)	SB 217	IWRS #13b
Voluntary Program to Update Water Right Certificates						
WRD - 207	Update certificates with ownership information, voluntary program	\$ 369,117	2.00	OF (Fees)	HB 2257	IWRS #2d
Extend Water Right Transaction Fee Schedule						
WRD - 208	Transaction Fees	\$ 996,211	7.00	OF (Fees)	HB 2259	IWRS #13b
Water Resources Development						
Establish a Water Supply Development Program						
WRD - 204	Multi-Purpose Water Project Finance	\$ 11,605,532	2.00	GF/LF/OF Lott. Bonds	HB 22589	IWRS #10e
ODA - 420	Ag. Water Supply Development Specialist—to address policy and technical issues related to the availability of water for Oregon farmers and ranchers	\$ 249,267	1.00	GF/OF (includes fund shift)	None	IWRS #10e
Re-Capitalize the Water Development Loan Fund – Umatilla Project						
WRD - 205	Multi-purpose Water Project Loans—Columbia River Basin	\$ 11,061,191	None	OF/GO Repayment Bonds	None	IWRS #10b
Re-Capitalize the Feasibility Study Grant Program – “SB 1069 Grants”						
WRD - 206	Feasibility Grants for water conservation, storage, and reuse proposals	\$ 992,489	0.50	LF/OF Lott. Bonds	None	IWRS #13c

Water Resources Management:	2,091,700	GF
	4,376,319	OF
	\$ 6,486,019	Total
Water Resources Development:	1,452,372	GF/LF
	22,296,193	OF
	\$ 23,748,565	Total
Total Investment:	\$30,216,584	

Governor Kitzhaber's Balanced Budget

Investments in Sustainable Forest Management

Governor's Natural Resources Office

Inter-agency Budget Memo

February 4, 2013

Oregon's abundant and rich forest lands provide public and private benefits, including recreation, fish and wildlife habitat, jobs, community and business infrastructure, and traded-sector commodities that are a vital part of the state's economy. Well over half of Oregon's forested landscape is publicly-owned. The mixture of federal, state and private lands across Oregon creates both opportunities and management challenges. In addition, a changing climate is stressing forest health and increasing the risk of large scale wildfires.

The Governor's proposed budget invests in the resilience of forest lands and the economic, social and environmental benefits they provide. This memo provides an overview of the Governor's budget proposals related to sustainable forest management for the 2013-15 biennium.

Wildfire Protection Act—protection and viability of working forest lands in Oregon:

The Oregon Department of Forestry (ODF) protects about 16 million acres—just over half of Oregon's forestland—from fire impacts. This is a \$60 billion asset. Protected lands are primarily private but also include state and some federal public lands. Landowners and the State share fire protection costs in recognition of the broad public benefits of a healthy forest base—clean air and water, recreation, and community and economic sustainability. Affordable fire protection is especially difficult on less productive forest lands in eastern Oregon, which are some of the State's most fire-prone. The costs of fire protection and the increasing risk of loss to wildfire create growing pressure to convert forest lands to other uses. Land conversion, in turn, often increases fire protection costs and reduces economic and habitat opportunities tied to forests -- leading to a spiral that threatens the long-term future of these lands and the public benefits they provide.

The Governor's proposed budget and the companion legislation - the Wildfire Protection Act (HB 2050) - are designed to reduce the risks of large catastrophic wildfires and related cost risks to the State's general fund, while also spreading the costs of fighting fires evenly between landowners and the State. The risk of large-scale wildfires is reduced by investing in severity resources such as additional equipment used to control fires before they become large, at which point costs dramatically escalate along with risks to communities and adjacent lands.

Increasing the pace and scale of management on fire-prone federal public forests:

The resilience of dry-side federal public forests to fire, disease and other disturbances is an important factor in the future vitality of both federal and adjoining non-federal lands as well as communities. Oregon's dry-side federal forest landscape has deviated greatly from historic conditions, and restoring the health of these lands is of significant concern to local communities, the broader public, industry and environmental groups, and others. Management activity is not sustaining forest health or adequately supporting dwindling mill infrastructure with sustainable timber supply. The loss of mills threatens community stability and forest health, as well as economic diversification opportunities tied to woody biomass and renewable energy.

As recognized by the recent National Forest Restoration Economic Assessment for Oregon, (<http://orsolutions.org/osproject/federal-forestlands>) the State has a significant opportunity to reap economic, ecological, and community gains if dry-side forest management is increased.

Locally grown federal forest collaborative groups have demonstrated an ability to move beyond gridlock and increase sustainable management of federal forest lands. Growth in the effectiveness of these collaborative efforts, along with reducing planning and sale preparation costs, is essential to increasing the pace and scale of work on federal lands with management actions that drive economic and environmental health. This is the motivation behind the Governor's budget.

The Governor's budget invests in forest collaboratives where they are linked to arrangements with the US Forest Service that provide for sustained timber supply, reduced costs, habitat gains, and diversified jobs and infrastructure. This investment is intended to be contingent upon the Forest Service's investment of additional dollars in Oregon's dry-side forests, along with the use of long-term stewardship contracting or other business model changes that help increase the pace and scale of management to achieve desired economic, social, and ecological outcomes.

2013-15 Investments in Fire Protection and Forest Health				
Agency and Budget Package #	Package Description	Funding	FTE	Funding Source
Fire Protection				
Wildfire Protection Act				
ODF POP #410	Continues existing ODF fire severity program, maintains eastside fire protection system, and supports healthy working forest lands by mitigating landowner assessment costs.	1,600,000	3.3	GF
ODF POP #410	Increases the existing ODF fire severity program, including critical firefighting assets such as airtankers and helicopters. Additional resources will reduce the likelihood of large catastrophic wildfires that cost millions of dollars, damage ODF protected land natural resources, threaten communities and impact water and air quality.	6,000,000		OF
Federal Forest Health				
Increasing the Pace and Scale of Federal Public Forest Management				
Forest Collaborative Support				
OBDD	Technical & Science Support – engage private sector resources in providing science, technical assistance, facilitation, research / monitoring, and planning / implementation efficiencies (ODF administers, state procurement system).	1,000,000		OF
OBDD	Small Grant Program – “Collaborative Capacity Fund” to support ability of forest collaboratives to effectively increase pace and scale of management and account for outcomes (administered by OWEB).	840,000		OF
OBDD	State Liaison Position + Assistant – dedicated to federal forest issues, providing direct point of contact and means of accountability with US Forest Service, forest collaborative groups, congressional delegation, Western Governor’s Association, and state legislature.	275,000	1.25	OF
OBDD	New Business Model match funding (contingent upon US Forest Service investment) to advance stable timber supply agreements, reduce planning / implementation costs, and advance project efforts – initial focus on at-risk eastside mill infrastructure but scalable elsewhere.	1,885,000		OF
O&C Lands				
OBDD	Advancement of O&C federal legislation and BLM planning process.	200,000		OF
OBDD	Incentives Fund – seeds a program to advance voluntary efforts around conservation, timber + wildfire management efficiencies and other pilot efforts that increase public values associated with O&C landscape.	1,200,000		OF

Total Investment -- Wildfire Protection: \$ 6.6 million

Total Investment -- Federal Forest Health: \$ 5.4 million