



April 16, 2013

To: Chair Dingfelder, Vice-chair Olsen, and members of the Senate Committee on Environment and Natural Resources

RE: Testimony on SB 217, New Annual Water Rights Management Fee

Dear Chair Dingfelder, Vice-Chair Olsen, and members of the Committee:

The Oregon Water Resources Congress (OWRC) is supportive of ensuring that the Oregon Water Resources Department (WRD) has adequate funding to carry out its core functions effectively. However, SB 217 as introduced, which would impose a new annual fee on water rights, is not something OWRC can support. We are willing to engage in further discussions about this issue and support the creation of a diverse workgroup to develop a more viable concept to address the long-term funding needs of WRD.

OWRC is a nonprofit association representing irrigation districts, water control districts, improvement districts, drainage districts and other agricultural water suppliers. These local government entities operate complex water management systems, including water supply reservoirs, canals, pipelines, and hydropower production, and deliver water to roughly 1/3 of all irrigated land in Oregon. OWRC has been promoting the protection and use of water rights and the wise stewardship of water resources on behalf of agricultural water suppliers for over 100 years.

It is of vital importance to our members that WRD has adequate financial resources to support key services and programs critical to water resources management statewide. However, we believe that these services should be equitably funded by a mix of General Fund and fees that reflect effective water resources management that benefit not only individual water users but also Oregon as a whole. Unfortunately, in its current form, SB 217 is neither equitable nor structured in a manner that is likely to result in new revenue for WRD. SB 217 is an unsustainable and unbalanced revenue strategy for the following reasons:

- ◆ Establishes an inequitable fee structure (i.e., instream water rights would be largely excluded from the fee as most are held by the State; Federal entities are unlikely to pay the fee without state recourse to enforce);
- ◆ Places greater burden upon water users for statewide water management;
- ◆ Lacks clarity on what services and benefits would be provided to fee payers;
- ◆ Cumbersome structure with high start-up expenses and uncertain timeframes for return on investment (i.e., extensive time and resources needed to identify water right holders to bill; Legal challenges likely to delay program implementation); and
- ◆ Could lead to reduced General Fund allocation, creating greater budget instability, no new added services, and disproportionate fiscal burden upon water users.

We are not opposed to SB 217 simply because it creates a new fee on water users. We have been and continue to be supportive of HB 2259, which is WRD's existing Transaction Fees that are paid by a variety of water users. OWRC was a part of the 2009 negotiation to increase those fees so that 50% of a given transaction is covered by user fees and 50% is General Fund supported. This was not an easy compromise but it is example a model that has clear benefits to both the users that pay the fees and the citizens who pay taxes to ensure wise management of water resources for all. However, SB 217 as proposed, does not provide certainty that the water users who would be paying the additional fee would see increased service levels or that WRD would receive increased revenue overall.

OWRC's members understand the realities of scarce state budget resources, increasing staff workload, and the detrimental impact it has made upon the WRD and all those that are reliant upon its services. However, our members, the farms, and other water users they serve are under similar pressures and it is of paramount importance to ensure that any new fee does not negatively impact Oregon's economy, particularly Oregon agriculture. At a time when Oregon's economy is starting to show signs of improvement, any new fees must be carefully balanced with impacts to the economy and developed with input from the diverse stakeholders who would be paying the new fee.

OWRC will continue to advocate for adequate funding for WRD to carry out its mission of managing water resources. However, SB 217, as introduced, is an inequitable, cumbersome, and risky funding scheme that is unlikely to yield benefits to the WRD or the water users that would be paying the new fee. This concept is not fully developed and the potential detriment to Oregon's agricultural community, and to WRD's General Fund budget, is far greater than any potential benefits. Therefore, we urge you to oppose SB 217 in current form and instead create an interim workgroup to develop a more detailed, balanced, and attainable revenue strategy for the Department.

Sincerely,

A handwritten signature in blue ink that reads "April Snell". The signature is written in a cursive, flowing style.

April Snell, Executive Director