

Natural Resources Program Area

The agencies within the Natural Resources Program Area manage Oregon’s natural resources for present and future generations while supporting a growing and sustainable economy. Natural Resource agencies provide a variety of services, including control of pollution, land use and water use, consumer protection, and natural resource product promotion. The Natural Resources agencies work towards balancing different uses of Oregon’s natural resources while working to protect those same resources. The majority of revenues to support Natural Resources agency work come from fees, contracts, payments for services, and grants. This program area represents about two percent of the state’s combined General Fund and Lottery Funds budgets.

NATURAL RESOURCES (Millions of Dollars)	2009-11 Actuals		2011-13 Leg. Approved		2013-15 Current Service Level		2013-15 Co-Chairs' Budget (1.0)		% Change 2011-13 LAB to 2013-15 CSL	
	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF	GF/LF	TF
Agriculture, Department of	\$21.7	\$77.1	\$20.0	\$85.2	\$24.6	\$88.8	\$0.0	\$0.0	23.0%	4.3%
Columbia River Gorge Commission	\$0.8	\$0.8	\$0.8	\$0.8	\$0.9	\$0.9	\$0.0	\$0.0	13.6%	13.5%
Energy, Department of	\$0.5	\$225.9	\$2.2	\$247.4	\$2.2	\$216.1	\$0.0	\$0.0	0.1%	-12.6%
Environmental Quality, Department of	\$36.2	\$305.6	\$29.5	\$327.0	\$33.4	\$299.7	\$0.0	\$0.0	13.3%	-8.3%
Fish & Wildlife, Department of	\$19.0	\$263.5	\$12.6	\$323.7	\$19.2	\$275.1	\$0.0	\$0.0	52.3%	-15.0%
Forestry, Department of	\$44.3	\$249.6	\$55.4	\$317.5	\$56.6	\$296.8	\$0.0	\$0.0	2.2%	-6.5%
Geology & Mineral Industries, Dept of	\$3.2	\$14.4	\$2.5	\$16.8	\$2.6	\$9.9	\$0.0	\$0.0	7.1%	-41.1%
Land Conservation & Development, Dept of	\$15.3	\$21.4	\$11.1	\$18.7	\$12.3	\$19.5	\$0.0	\$0.0	10.3%	4.0%
Land Use Board of Appeals	\$1.4	\$1.5	\$1.3	\$1.4	\$1.4	\$1.5	\$0.0	\$0.0	11.8%	11.3%
State Lands, Department of	\$1.9	\$35.9	\$0.7	\$63.7	\$0.0	\$38.6	\$0.0	\$0.0	-100.0%	-39.5%
Marine Board	\$0.0	\$28.4	\$0.0	\$30.0	\$0.0	\$28.7	\$0.0	\$0.0	N/A	-4.1%
Parks & Recreation Department	\$86.4	\$181.9	\$81.6	\$200.5	\$86.9	\$200.6	\$0.0	\$0.0	6.4%	0.0%
Water Resources Department	\$19.6	\$29.8	\$21.1	\$51.4	\$24.2	\$38.8	\$0.0	\$0.0	14.8%	-24.6%
Oregon Watershed Enhancement Board	\$59.9	\$82.6	\$64.0	\$113.1	\$6.7	\$28.1	\$0.0	\$0.0	-89.5%	-75.2%
NATURAL RESOURCES TOTAL	\$310.3	\$1,518.3	\$302.8	\$1,797.2	\$271.1	\$1,543.1	\$0.0	\$0.0	-10.5%	-14.1%
Percent of State Budget	2.3%	2.6%	2.0%	3.0%	1.6%	2.7%	0.0%	0.0%		
State Government Employment	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE	Positions	FTE
	5,532	4,394.04	5,296	4,287.80	5,032	4,123.79	0	0.00	-5.0%	-3.8%

Major Revenues	Budget Environment	Comparison by Fund Type																				
<ul style="list-style-type: none"> Primarily supported by Other Funds and Federal Funds. Majority of Other Funds come from recreational fees (Parks, ODFW, Marine Board), regulatory fees (DEQ, ODA, DSL), fees for service (WRD, ODA), and cost sharing (ODF). Lottery Funds are constitutionally dedicated to Parks and Watershed Improvement. General Fund support for the program area equates to only about 1% of total General Fund appropriations. ODF General Fund is just under 35% of total General Fund for Natural Resources. 	<ul style="list-style-type: none"> There is a public expectation of balancing recreational, environmental, and economic use of natural resources. It is challenging to meet additional demand on dedicated Lottery Funds as those funds decline or hold steady while costs increase. Some Other Funds revenues, usually from regulatory fees or fees for service, are tied to the level of economic activity and are lower due to the recession. There is declining federal support for some programs and uncertainty over future federal spending reductions. New restrictions on federal Pacific Coastal Salmon Recovery Funds require 90% of funding to be used for restoration projects, which will limit ability to use the fund to support agency programs as has been done over the last 12 years. Number of hunting and fishing licenses sold has been on the decline and the population that does purchase has aged as recreational choices have been evolving. 	<div data-bbox="1339 293 1980 797"> <p style="text-align: center;">NATURAL RESOURCES</p> <table border="1"> <caption>NATURAL RESOURCES Revenue Data (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>\$310</td> <td>\$964</td> <td>\$244</td> </tr> <tr> <td>2011-13</td> <td>\$303</td> <td>\$1,168</td> <td>\$326</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$271</td> <td>\$1,043</td> <td>\$229</td> </tr> <tr> <td>2013-15</td> <td>\$0</td> <td>\$0</td> <td>\$0</td> </tr> </tbody> </table> </div>	Year	General Fund/Lottery	Other Funds	Federal Funds	2009-11	\$310	\$964	\$244	2011-13	\$303	\$1,168	\$326	2013-15 CSL	\$271	\$1,043	\$229	2013-15	\$0	\$0	\$0
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MAJOR CHALLENGES AND DECISION POINTS1. **Fees:**Fee Reauthorizations:

- * WRD – water right transactions

Fee Increases:

OPRD – full hook up sites (yurts, deluxe cabins, and tepees), electric hook up sites, horse camp sites with hook ups, extra vehicle charge, primitive sites, and rustic cabins – total \$1.6M.

- * DEQ – 20% increase to Air Contaminant Discharge Permits to construct, modify, or operate a facility - \$1.2M.
- * DEQ - Sewage treatment facility operator’s certification - \$295,000.
- * DEQ – 401 Dredge & Fill certification - \$1.1M
- * DEQ – On-site septic system - \$514,000

New Fees:

- * WRD – water right maintenance

OPRD – pet friendly accommodations fee – total \$35,410,

- * DEQ- Clean Fuels Program fee - \$475,000

2. One Time federal PCSRF funding that was used for fund shifts in 2011-13 to generate General Fund Savings is shifted back to General Fund in CSL: ODA - \$3.5M, DEQ - \$2.5M, ODFW - \$5.2M.
3. * Fire protection funding is a perennial legislative policy choice. What is the appropriate level of state subsidy for the timber industry – both in-state and out of state landowners? The Department of Forestry, with industry stakeholders, has developed a revised industry cost-share model. The new formula splits the expense of high cost fires dollar-for-dollar with the industry, rather than the industry covering the first \$10 million and the state covering the next \$15 million. The plan also increases up-front General Fund to

get ahead of more fires before they grow large and expensive. \$1.6M General Fund.

4. Many agencies with fees tied to economic activity have faced significant revenue reductions during the recession as permitting activity has declined. Coupled with this is the erosion of federal support for programs delegated to the states This is a significant problem for DEQ, which had to include over \$10.1M in expenditure reductions (\$6.7M OF and \$3.4M FF) due to insufficient revenues. Some of these reductions are proposed for restoration using increases to existing fee structures to ensure programs continue to operate effectively (DEQ).
5. Lottery Funds revenue forecasts remain in decline. Measure 76 was passed in 2010 and reauthorizes the dedication of 15% of all Lottery to Parks (7.5%) and to the restoration and protection of native fish and wildlife, watersheds, and water quality (7.5%). Measure 76 also required that 65% of the funding going to watershed protection and restoration be dedicated to on-the-ground local projects through a grant program. State and federal agencies are prohibited from receiving money from this 65% and are consigned to the 35% dedicated to operations. This constraint along with flat and/or falling lottery revenue forecasts mean either agency programs will have to be cut as costs increase or shifted to other sources of funding like General Fund. Many of the agency programs now supported by M76 LF were once supported by General Fund. The ODA budget includes a \$550,000 LF reduction in support for the agency’s Threatened and Endangered Plant program (proposed for restoration using FF) and the Weed and Pest control programs (proposed for restoration as part of a \$3.9M GF request to move all the Weed and Pest programs back onto GF support).
6. * Portland Harbor Superfund site cleanup will be a multi-biennia effort. The state needs to invest in preemptive legal action to determine responsible parties in order to minimize future cleanup costs. (DSL)

7. There is constitutional authority, but not a requirement, to add new state parks utilizing dedicated lottery funds. Between existing parks and new ones, there is a growing need for operational and deferred facility maintenance. Funding is not keeping pace with Parks' maintenance needs. Parks may need to consider a combination of reducing the rate of adding new state parks, fee increases, and additional borrowing to catch up.
8. Some Natural Resource agencies see an increasing need for scientific data to support the effectiveness of particularly programs designed to protect water quality. This includes ODA's Agricultural Water Quality program which some have questioned the effectiveness of in protecting water quality around agricultural operations. In 2011-13 one-time funding was approved for three positions to work on effectiveness monitoring of this program. ODA is seeking \$900,000 GF to continue these positions in 2013-15 and would like another \$250,000 GF to add a water quality expert to the Agricultural Development program to work on potential water quality issues with new agricultural operations.
9. Management of federal forestland, or lack of it, can drive firefighting expense on state and private forestlands. (ODF)
10. The Land Board has directed DSL to increase revenues to the Common School Fund through timber harvest sales. The ODF State Forests program is to be self-supporting, also through timber sales. Both these economic efforts face lawsuits, restrictions, and concerns from the environmental community regarding threatened and endangered species. (DSL, ODF)
11. The Small-Scale Energy Loan Program (SELP) experienced several defaults in 2011-13, prompting the inclusion in the Governor's budget of \$5 million in lottery bond proceeds for loan program "recapitalization." The Governor proposes an additional \$5 million in lottery bond proceeds for the "Home Energy Efficiency Program."

* See attachment for additional information on this item.