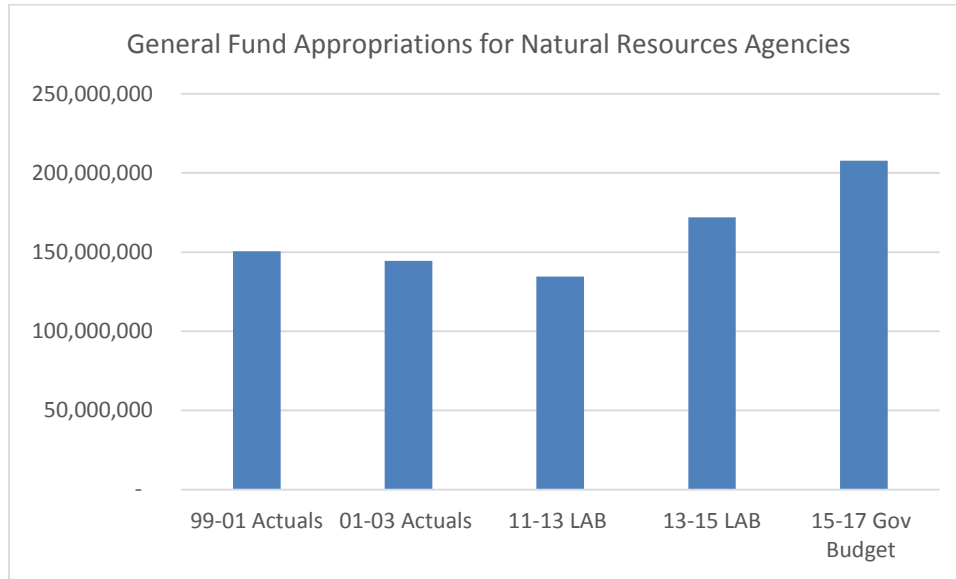


Governor Kitzhaber's Vision for a Healthy Environment & Strong Rural Economy

2015-2017 Healthy Environment Budget Overview

Reinvesting General Fund in Natural Resources Agencies



The 2015-2017 Governor's Recommended Budget reinvests General Funds in natural resources agencies after a decade of disinvestment. Even so, as a percentage of the overall state budget, funding for these programs continues to lag behind other program areas.

Natural Resources Spending Declines as Percent of Total State Budget							
Natural Resources				Statewide Total			
Fund Type	\$ in Millions		% change	Fund Type	\$ in Millions		% change
	05-07	15-17			05-07	15-17	
General Fund	142,650	207,740	45.6	General Fund	11,609,277	17,723,631	52.7
Lottery Fund	158,525	170,682	7.7	Lottery Fund	815,797	852,154	4.5
Other Funds	838,227	1,203,561	43.6	Other Funds	20,098,660	27,225,742	35.5
Federal Funds	184,968	284,443	53.8	Federal Funds	8,245,495	20,693,293	151
TOTAL	1,324,370	1,866,425	40.9	TOTAL	40,769,229	66,494,820	63.1
NR as % of Total	3.2%	2.8%	-13.54%*				

*Percentage change in the Total Funds for Natural Resources as a percentage of Total Funds for entire Statewide Budget for the 2005-07 biennium as compared to the 2015-17 Governor's Budget.

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

Healthy Environment Vision

Governor's Healthy Environment Vision: *Manage our natural resources to sustain both the economy and environment.*

Oregonians share a strong commitment to clean water, clean air and healthy watersheds. Oregon continues to rely on its natural resources for economic output and jobs, and as a key component of how we define our state and draw talent and innovation to our communities. It's estimated that nearly 37% of our economy is derived from natural resources-related industries. More than 500,000 Oregonians work in natural resources-related fields, or jobs supported by those industries, making up about one-third of our state's employment.

The Governor's Recommended Budget for 2015-17 proposes a substantial overall investment in the environment and natural resources by restoring General Fund dollars. In addition, the budget contains four major areas of investment and innovation.

1. Working Forests and Farms

The Governor's Budget invests \$45.4 million in new tools and partnerships to conserve working forests, farms and rangelands. Productive, well-managed farms and forests can both strengthen rural communities and improve the environment. The budget continues investments in forest collaboratives on federal lands and makes new investments in Oregon's All Lands-All Threats Sage Grouse Plan, and in our state forests.

2. Clean Water Partnership

The Governor proposes \$6 million in a coordinated investment to complete new tools to quantify clean water successes and trends, and align existing federal and state conservation funding so that dollars spent lead to documented improvements in water quality, and those improvements are maximized. This initiative also updates forest and farmland water quality programs, and works to expand water quality trading to avoid costly investment in water and wastewater treatment systems by creating markets for conservation improvements in Oregon's watersheds.

3. Integrated Water Resources Program

The Governor's Recommended Budget invests \$54.8 million to continue work begun in 2013-15 to accelerate water resources development through place-based local planning, project feasibility, and project finance. These efforts are located throughout the state, including the Umatilla, Deschutes, Willamette, Rogue and Klamath River Basins.

4. Regulatory Alignment and Capacity Development

This initiative includes an investment of \$1.5 million to assemble a highly-skilled team with significant regulatory expertise to coordinate the work of Oregon's natural resource agencies, and to assure that agency efforts are integrated with the Regional Solutions Program. This effort also is designed to enhance state and local project development and finance capacity to meet Oregon's infrastructure needs.

Governor Kitzhaber's Vision for a Healthy Environment & Strong Rural Economy Initiative #1: Working Forests and Farms

Land Use	Washington		Oregon	
	Acres	Percent	Acres	Percent
Wildland forest	-235,000	-1.8%	-27,000	- 0.3%
Intensive agriculture	- 90,000	-1.0%	-38,000	- 0.7%
Wildland range	- 90,000	-1.5%	-43,000	- 0.5%
Mixed uses: forest/ag/range	- 49,000	-9.1%	6,000	0.4
Low-density residential	303,000	16.5%	42,000	3.6
Urban	159,000	20.5%	60,000	12.2
Other	2,000	0.8%	0	0
Net Shift to Developed Uses	-464,000	-1.6%	-102,000	-0.4%

*WA: 12 year period, 94-06; Oregon 11-year period, 94-05

Problem: Although Oregon has avoided large-scale loss of working forests and farms, these lands are increasingly threatened by generational change in ownership and management, climate change, water resources issues, and lack of access to capital. These threats to working lands also put our environment at risk. Oregon's working lands provide clean drinking water, wildlife habitat, and resilient landscapes in the face of climate change.

Solution: The Governor's Budget and legislative proposals contain new tools and investments to sustain working forests and farms, strengthen rural communities, and improve our environment.

- ❖ **New financing tools to support working forests and farms. SB 204 authorizes and HB 5030 capitalizes three new finance tools for working lands:**
 - Loan guarantees for working forests and farms -- providing access to private capital to refinance or acquire lands that will remain in an active working status;
 - A revolving loan fund to support working farms and forests where they also provide ecological benefits; and
 - A conservation fund – providing equity to those acquiring working lands so that timber and/or agriculture uses are maintained while conservation benefits also are achieved.
- ❖ **Policy tools to support working forests and farms.**
 - Bolster existing voluntary programs for willing owners to transfer development rights from working farms and forests, minimizing conflicts and protecting existing investments.
 - Complete work analyzing trends in working lands, identifying the most serious threats to continued farming and forestry in Oregon, and develop further policy initiatives as needed.
 - Invest in innovation in added-value agriculture and forestry products.
- ❖ **Management reforms on federal and state lands to improve forest health, manage fire costs, and generate returns for communities.**
 - Complete management reform of the O&C and National Forest lands.
 - Complete management reforms for state forests.
 - Resolve long-term ownership and management of the Elliott State Forest.
 - Expand support for forest collaboratives on federal lands and associated mill and community infrastructure.
- ❖ **Heal landscapes stressed by poor resource allocation decisions and protect those at risk, including the Klamath basin, sagebrush steppe, and coastal Coho habitat.**
 - Continue implementation of the Klamath basin agreements (SB 264 and SB 265).
 - Complete and implement Oregon's All Lands-All Threats Program for Sage Grouse, including investing in fire and invasive weed treatment (HB 2401), and maintaining the Invasive Species Council (SB 209).
 - Complete final recovery planning for coastal Coho, including clear steps to de-listing.

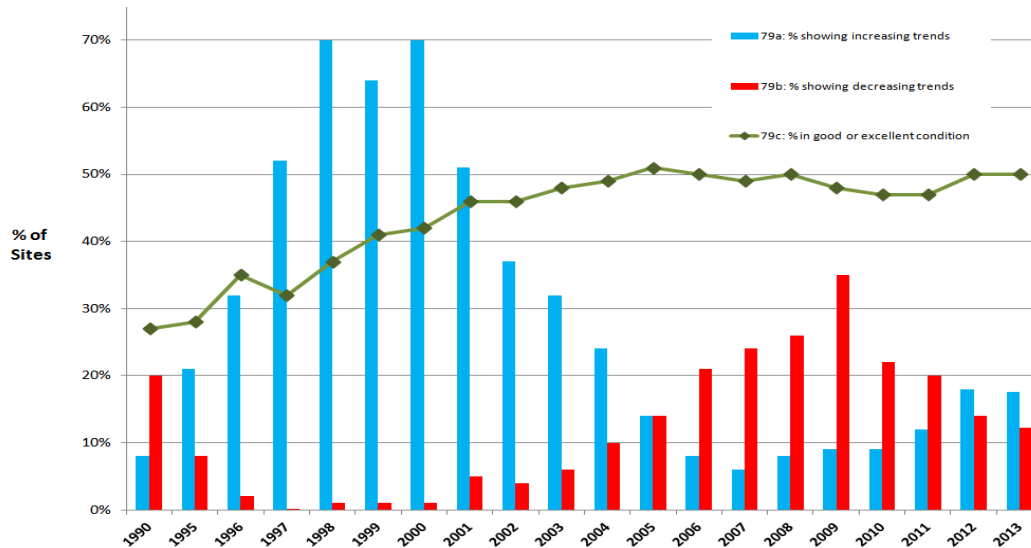
Governor's Balanced Budget: 2015-17 Investments in Working Forests and Farms					
Agency Package	Package Description	Funding	Positions	Funding Source	Related Bill #
Forest and Watershed Health and Rural Economies					
ODF-185	Federal Forest Collaboratives – Expand investment to increase federal forest management pace and scale, reduce wildfire risk, enhance ecological and recreational values and supply wood products.	6,050,000	4	LF	
ODF-152	Increase Sustainable Use of Biomass – Advance biomass use, market development, and develop monitoring and information resources.	1,108,450	1	GF	
OWRD - 101	Klamath Coordination and Water Management – Klamath Implementation Coordinator, and support for water rights management.	427,133	2	GF	SB 206
OWRD – 104	Data and Water Management in the Klamath Basin – Hydrotech to monitor water conditions in the basin in order to manage water.	191,822	1	GF	
ODF-131-133	State Forest Support – Recreation, education, interpretation and monitoring activities; improvements to South Fork inmate work camp.	2,800,000	0	GF	
SageCon					
ODF – 120	Sage Grouse-Fire Package-Rural Fire Protection Association Support – Support for Rangeland Fire Protection Associations.	1,659,130	0	GF	
ODA-390	Sage Grouse-Invasives and Juniper – Incentive payments to landowners for weed and juniper control.	500,000	0	GF	
ODFW – 130	SageCon-Coordination of All-Lands Mitigation Program – Coordinator to lead completion of mitigation framework.	350,000	1	GF	HB 2401
ODFW - 105	Sage Grouse Initiative – Conservation practices to alleviate threats to sage grouse while improving sustainability of working ranches.	90,000	2	GF	
ODFW - 132	Pre- and Post-Wildfire Resilience – Funding to implement pre-fire actions that improve resilience of sagebrush habitat to wildfire, and promote effective recovery of habitat post-fire, improving health of rangeland and Sage Grouse habitat.	1,350,000	1	GF	
ODA-320	Oregon Invasive Species Council (Sage Grouse) - Improves Oregon's overall response to invasive species including restoration and protection of Sage Grouse habitat.	100,000	0	GF	SB 209
DLCD - 108	Sage Grouse-Local Grants and Statewide Coordinator – Coordinate Oregon's All-Lands Sage Grouse Program. Local grants for implementation of county Sage Grouse programs.	438,000	1		
Working Lands Finance Program					
ODF - 502	Working Lands Finance Coordinator	300,000	0	GF	SB 204
DLCD - 502	Working Forests and Farms TDR Program Implementation	275,000	1	GF	
Working Forests and Farms Finance (Loan Guarantees, Loans, Grants)					
Bus. Oregon - 502 OWEB - 502	<ul style="list-style-type: none"> Loan Guarantee - \$5 million (Lottery Bonds) Revolving Loan Fund – \$10 million (Lottery Bonds) Acquisition Fund - \$15 million (OWEB) (Lottery and G.O. Bonds) 	30,000,000	0	Lott.Bonds G.O. Bonds	HB 5030

Total Forest and Watershed Health and Rural Economies:	\$10,577,405
Total SageCon:	\$ 4,487,130
Total Working Forests and Farms Finance GF/LF:	\$ 575,000
Total Working Forests and Farms Finance:	\$30,000,000
Total Investment:	\$45,639,535

Governor Kitzhaber's Vision for a Healthy Environment & Strong Rural Economy

Initiative #2: Clean Water Partnership

Oregon Water Quality Status and Trends



Problem: Although Oregon's water quality improved steadily through 2005, since that time trends have flattened out and some areas of the state still have significant problems. Population increases and climate change will make it harder to attain further improvements in water quality that support fishing and swimming in all of our rivers and streams.

Solutions: Document water quality and trends, identify areas for directed conservation investment, and coordinate and direct existing federal and state conservation funding to areas that provide the greatest water quality and watershed health improvements. Expand water quality trading to avoid costly investment in water and wastewater treatment systems by creating markets for conservation improvements in Oregon's watersheds. Update existing water quality programs on forest and farm lands, and work to achieve healthy fisheries.

- ❖ **Directed Conservation – The Tools.** New monitoring methods can tell us what practices provide the greatest clean water improvements. The 2013-15 budget invested in development of new monitoring tools, but additional work remains. The 2015-17 Governor's Budget makes a coordinated investment through DEQ, ODA, DOGAMI, OWRD, OWEB, and ODF.
 - Issue an Executive Order to provide clear guidance and expectations for this effort, and to give landowners and other regulators a clear vision of where the state is headed.
 - Continue acquisition of LIDAR data to provide accurate baseline for prioritizing investments.
 - Invest in completion of modeling tools for temperature and nutrients.
 - Invest in IT infrastructure for sharing of data among agencies, and with the public.

- ❖ **Directed Conservation – The Investments.** The Natural Resources Conservation Service invests about \$40 million per year in Oregon, largely to pay farmers and woodland owners for conservation practices. The Oregon Watershed Enhancement Board invests nearly \$70 million each biennium on watershed restoration projects and the associated capacity and monitoring to implement and evaluate those investments. Other investors include ODFW, ODA, private foundations and other partners. This initiative builds on the existing Conservation Effectiveness Partnership among NRCS, OWEB, DEQ, ODA and partnerships among other agencies so conservation dollars go where they are most needed and most effective. Aligning these investments is particularly important in basins without major municipalities, and few opportunities for water quality trading.
 - Update Conservation Effectiveness Partnership Agreement.
 - Work with farm and forest landowners and local community groups to design and implement voluntary water quality and riparian projects, leading to measurable conservation improvements.
 - Align OWEB, NRCS, Farm Service Agency and other funding, focusing initially in the Upper Willamette and Klamath basins.

- ❖ **Water Quality Trading.** In the Tualatin, McKenzie and Bear Creek watersheds, municipalities avoid costly wastewater or drinking water treatment facilities by instead investing in programs that pay land managers to change their practices in ways documented to achieve equivalent or better water quality improvements. This initiative builds on those successes.

- Work to expand water quality trading by creating markets for conservation improvements, focusing on the southern Willamette and Klamath basins during 2015-17.
- Acquire LIDAR data for southern Willamette and Klamath basins; complete nutrient quantification tools.
- Complete water quality trading rulemaking by the Environmental Quality Commission.
- Begin work with downstream NPDES permit holders to identify potential avoided costs.
- Develop on-the-ground capacity to work with landowners.

- ❖ **Updating Water Quality Programs.** Oregon is a leader in its Forest Practices Act and Agricultural Water Quality Management Programs for water quality on forest and farmlands. However, it has been some time since these programs have seen significant updates.
 - ODF and the Board of Forestry are completing important updates to forest practice measures to assure that forest practices do not contribute significantly to water quality problems.
 - ODA will be asked to update its program during 2015-17 to clarify prohibited conditions in riparian areas, and better integrate its program with incentive-based tools to address legacy conditions.

Governor's Balanced Budget: 2015-17 Investments in Clean Water Partnerships					
Agency Package	Package Description	Funding	Positions	Funding Source	Related Bill #
DEQ – 121	Water Quality Assessment – Develop a water quality data management system; analyze and interpret data to develop and report water quality assessments. This information is necessary to produce transparent, reproducible assessments of Oregon's waters to inform the public and support decision-making.	491,435	3	GF	205
DEQ – 126	Reducing Nonpoint Source Pollution - Restores two positions, creates two new positions to help public agencies, local organizations and individuals reduce nonpoint source pollution through planning and implementing clean water projects.	684,429	4	GF	205
DEQ – 128	Quantifying Conservation Outcomes - Supports DEQ's participation in cross-agency development of new tools to quantify trends in watershed health and water quality. Information will be available to watershed partners and the public and used to identify priorities for federal and state conservation funding. Includes \$250,000 for the Institute for Natural Resources to develop a data management portal and \$300,000 for contracts to develop a credit registry and quantification tools.	1,863,021	6	GF	205
OWRD – 110	Monitoring Coordinator for Efficient Data Sharing and Management – Capacity for WRD to coordinate on collaborative water quantity and quality monitoring, fill data gaps, and improve how information is gathered, processed and shared.	211,067	1	GF	205
DOGAMI - 101	LIDAR Data Acquisition – LIDAR data is used to identify priority water quality and watershed restoration areas.	500,000	0	GF	205
ODF - 153	Water Quality, Forest Roads, Forest Practices Act Effectiveness – Provide Forest Practices Act support and monitoring to ensure rules and best management practices are implemented to effectively protect water quality and natural resources.	933,894	3	GF	205
ODA - 310	Agricultural Water Quality – Expand ODA's ability to obtain, review, analyze and summarize landscape data available in the public domain to prioritize agency resources for improving water quality and restoring watersheds.	1,583,528	3	GF	205
OWEB – 110	Program Enhancement – a portion of this package is dedicated to measure and report on ecological, economic and social outcomes at the landscape level in coordination with other state and federal agencies, and other granting organizations	386,980	2	LF	205

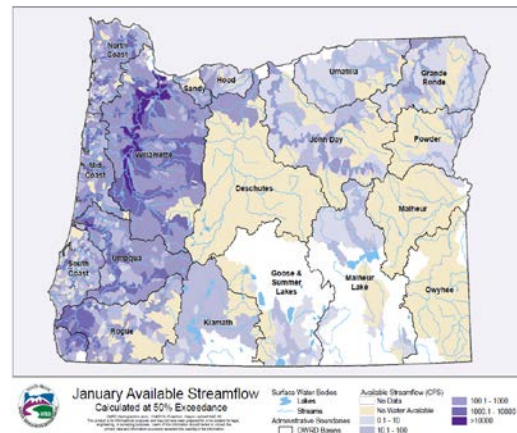
Total Investment for Clean Water Partnership: \$6,654,354

Governor Kitzhaber's Vision for a Healthy Environment & Strong Rural Economy Initiative #3: Integrated Water Resources Program

Figure 1. Areas where water is available for new surface water rights in August.



Figure 2: Areas where water is available for storage in January.



Problem: Water is essential for our environment economic growth and development, job creation, and the livelihoods of farmers, ranchers and communities across the state. Clean and plentiful water supports fish and wildlife, recreation, and other instream uses that are important to communities and all Oregonians. Every region across the Oregon has its own water challenges that if left unaddressed, will worsen in the future. For example, in most areas of the state, new surface water rights are not available during the summer. In contrast, water is still available in the wet winter months for storage.

Solution: Implement the Integrated Water Resources Strategy for instream and out-of-stream needs, through place-based planning, project feasibility assessments and project finance tools.

- ❖ **Place-Based Water Resources Planning.** Planning at regional and local scales through collaborative processes is key to identifying water resource issues, needs and solutions particular to each part of the state.
 - Complete work to establish a water resources program for the Umatilla area including a significant expansion in irrigated agriculture as well as gains for conservation.
 - Continue regional planning for the Deschutes basin, and long-term planning for the Willamette basin, focusing on the reallocation of storage in existing U.S. Army Corps of Engineers reservoirs.
 - Continue water development planning work in the Rogue basin (WISE).
 - Explore new multiple use storage opportunities in the upper Klamath basin.
 - Develop a more formal relationship with Washington's water resources program, and explore opportunities with Idaho.

- ❖ **Project Feasibility Resources.** Once an area has identified its highest priorities and project concepts for water resources efforts, the next stage is more detailed work to assess the feasibility of individual projects. The Governor's budget provides additional funding for this purpose, based on a competitive process administered by the Water Resources Department.

- ❖ **Project Implementation Funding.** Traditionally, Oregon has left the development of water supply infrastructure to local entities and the federal government. With declining federal support, however, along with a rapidly increasing need for development of water for instream and out-of-stream purposes, there is a clear need to build a state program. SB 839 (2013) established the foundation for a state grant and loan program for water resources development in Oregon. The details of SB 839 are being worked out in two on-going task forces, which are expected to result in legislative, budget and rulemaking efforts over the next year.
 - Complete work of the two task forces and conduct rulemaking to implement the program.
 - Authorize funding for project implementation arising out of individual, as well as place-based, planning efforts.

- ❖ **West Coast Infrastructure Exchange.** This partnership among California, Oregon, Washington, and British Columbia works across state lines to bring additional private capital to finance water resources projects.

Governor's Balanced Budget: 2015-17 Investments in Integrated Water Resources					
Agency and Budget Package #	Package Description	Funding	Positions	Funding Source	Related Bill #
Integrated Water Resources Program Staff					
OWRD - 113	Funding Water Supply Projects - Recapitalizes the Water Supply Development Account and Water Supply Fund. Includes loans and grants to finance water resources development projects that have economic, environmental and community benefits; grant officer to manage funding.	\$186,962	1 FTE	GF	
OWRD - 115	Supporting Project Development and Place-Based Planning –Adds positions to provide financial, permitting, planning, engineering and project management for new water supplies across Oregon.	\$1,232,882	6 FTE	GF	SB 266
OWRD - 106	SB 1069 Feasibility Grants – Funding to help communities and individuals evaluate the feasibility of developing a water conservation, reuse or storage project; staff to manage funding; and debt service.	\$139,318	0.75 FTE	GF	
Integrated Water Resources Bond Packages and Costs					
OWRD - 106, 113, 115, 120	Water Resources Feasibility Grants (106) Water Resources Planning and Project Grants and Loans (113, 115) Water Resources Project Loans (120) Cost of Issuance/Debt Service	\$2 million \$18 million \$30 million \$3,215,587		LF/OF/GO	HB 5030 HB 5005

Total Investment for Integrated Water Resources Program in staff, supplies and services, and debt service	\$ 4,774,749
Total Investment for Integrated Water Resources Program Bond Package proceeds	\$50,000,000
Total Investment for Integrated Water Resources Program	\$54,774,749
<ul style="list-style-type: none"> • \$750,000 for place-based planning grants • \$2 million for project feasibility grants • \$17.25 million for project finance (lottery bonds, loans and grants) • \$30 million for project finance (G.O. bonds, loans) 	

Governor Kitzhaber's Vision for a Healthy Environment & Strong Rural Economy

Initiative #4: Regulatory Alignment and Capacity Development

Regulatory Alignment and Coordination

State Permits & Reviews

DSL
Wetland removal & fill permits
OWRD
Water rights
DEQ
Air, water, solid waste permits;
spill prevention & response
DOGAMI
Mining permits
DLCD
Coastal Zone Management
Act & Land Use
SHPO
Cultural resources
ODOT
Highway access permits
ODFW
Fish passage

Federal Permits & Reviews

NOAA/USFWS
Fish & wildlife impacts
Army Corps
404 wetland permits



Problem: While Oregon's job market is growing at its highest rate in 20 years, we need to bring prosperity to all corners of our state, including communities that are still struggling to recover from the recession. A healthy environment and strong rural economy are supported by aligning regulatory processes and decision-making, and coordinating state actions with tribal governments, local and regional governments, federal agencies, community stakeholders, and the private sector.

Solution: Create a small, highly-skilled **Alignment and Coordination Team (ACT)** jointly managed by the Governor's Natural Resources Office and the Regional Solutions Program. Providing this capacity and leadership will lead to more consistent and timely results in circumstances involving regulatory complexity. The team will provide authoritative leadership and significant regulatory expertise to align the work of Oregon's natural resource agencies in both regulatory and project-development arenas, and assure that the work of the Regional Solutions program and agencies is integrated. Working with Regional Solutions coordinators as well as agencies (the IFA, OWRD, DEQ and others) and the Governor's Natural Resources Office, this team will help provide capacity to local government where the state is investing public resources to help communities build and restore infrastructure.

Examples of the types of projects and initiatives where the ACT will help provide leadership include:

- ❖ Major public/private projects such as Blue Heron/Willamette Falls and the Red Rock biofuels proposal in Lakeview.
- ❖ Regional water supply efforts including Umatilla, Willamette, and WISE.
- ❖ Significant energy projects, particularly those not fully subject to EFSC, such as Oregon LNG, Jordan Cove, B2H, and the retrofitting of PGE's Boardman Plant.

- ❖ Major clean-up sites such as Portland Harbor and North Ridge Estates (Klamath).

Governor's Balanced Budget 2015-17 Investments in Regulatory Alignment and Regional Solutions					
Agency Package	Package Description	Funding	Positions	Funding Source	Related Bill #
ODA- 450	Alignment Team Coordinator – Lead multi-agency Alignment and Coordination Team to align the work of Oregon's natural resource agencies and ensure integration with Regional Solutions.	325,000	1	GF	SB 201, 203
DLCD - 109	Planning staff and technical expert for multi-agency Alignment and Coordination Team.	576,000	2	GF	SB 201, 203
DEQ - 124	Portland Harbor Coordinator - Establishes a senior-level policy position that will be housed at DEQ but reports to the Governor's natural resources advisor. This position will represent the Governor's interests and help facilitate state-federal coordination on the Portland Harbor cleanup and other high priority projects.	363,199	1	GF	SB 201, 203

Total Investment for Regulatory Alignment and Regional Solutions \$1,264,199