



March 22, 2017

To: Chair Ken Helm, Vice-Chair Mark Johnson, Vice-Chair Karin Power, and members of the House Energy & Environment Committee

RE: Testimony on HB 2706, New Annual Water Rights Management Fee

Dear Chair Helm, Vice-Chair Johnson, Vice-Chair Power, 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, HB 2706, as introduced, is not something OWRC can support. We are willing to engage in further discussions 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. These services should be equitably funded by a mix of General Fund and fees, reflecting that effective water resources management benefits not only individual water users but also Oregon as a whole. Unfortunately, in its current form, HB 2706 is neither equitable nor structured in a manner that is likely to result in new revenue for WRD. HB 2706 is an unsustainable and unbalanced revenue strategy for the following reasons:

- ◆ Establishes an inequitable fee structure
 - 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
 - Unclear whether exempt groundwater users are subject to fee
- ◆ Places greater burden upon water users for statewide water management
 - Unclear whether cap applies to water rights in same name versus held by same entity
- ◆ Lack of clarity on what services and benefits would be provided to fee payers
 - Language describing uses of funds, “including, but not limited to,” is overly broad
 - No clear benefit to water users paying fees (i.e. increased field services, more timely transactions, etc.).
 - No direct connection between geographic region where fees are collected, and where and how fees would be used
 - Fees collected are not protected and could be “swept” to pay for other unrelated services
- ◆ Cumbersome structure with high start-up expenses and uncertain timeframes for return on investment and revenue generation
 - Extensive time and resources needed to identify water right holders to bill
 - Premature as WRD needs authority to change name on water right certificate
 - Legal challenges likely to delay program implementation
- ◆ Could lead to reduced General Fund allocation for WRD, creating greater budget instability, no new added services, and disproportionate fiscal burden upon water users paying fees

The mission of the Oregon Water Resources Congress is to promote the protection and use of water rights and the wise stewardship of water resources.

We are not opposed to HB 2706 simply because it creates a new fee on water users. OWRC have been and continue to be supportive of HB 2295, which is a continuance and increase of WRD's existing Transaction Fees that are paid by a variety of water users. OWRC has been a part of negotiations in this session and previous sessions to increase these transaction fees to cover rising state administration costs while maintaining balance so that roughly 50% of a given transaction is covered by user fees and 50% is General Fund supported. This compromise is an example of 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. Regrettably, HB 2706 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 General Fund resources, increasing staff workload, the PERS burden, and the detrimental impact that all of these budgetary issues have upon WRD and all those who are reliant upon its services. Yet, our members and 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. Farmers and other water users are already being faced with additional costs from implementing a wide array of new state and federal regulations (labor, food safety, etc.) and many are recovering from years of prolonged drought. 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, as introduced, HB 2706 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 HB 2706 in current form and instead utilize a diverse workgroup to develop a more developed, balanced, and attainable revenue strategy for the Department.

Sincerely,
April Snell
Executive Director