



OREGON
ASSOCIATION OF
NURSERIES

**Testimony before the Joint Ways and Means – Natural Resources Subcommittee
Senate Bill 5542 – Water Resources Department budget**

By Jeff Stone, Executive Director
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Co-chairs Senator Frederick and Representative Witt, members of the subcommittee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. Thank you for the opportunity to provide comments and support for Senate Bill 5542, the appropriation of general fund dollars to the Water Resources Department.

A fully functional Water Resources Department (WRD) is critical to the Nursery and Greenhouse industry as well as agriculture in general. It is important that the balance between general fund and fees paid by water users be maintained. The purpose of this testimony before you today is to express our support for facets of WRD funding that may appear before your subcommittee or in one case – the Capital Construction bonding discussions. All of these issues are tethered together and deserve serious consideration by the Oregon Legislature.

The Economic Footprint of the Nursery and Greenhouse Industry

The nursery and greenhouse industry is the state's second largest agricultural sector, and the industry ranks third in the nation, with over \$894 million in sales annually to customers in Oregon, the rest of the United States, and abroad. In fact, nearly 75% of the nursery stock grown in our state leaves our borders – with over half reaching markets east of the Mississippi River. We send ecologically friendly green products out of the state, and bring traded sector dollars back to Oregon.

Nursery association members represent wholesale plant growers, Christmas tree growers, retailers, and greenhouse operators. Our members are located throughout the state, with our largest nursery growing operations found in Clackamas, Marion, Washington, Yamhill and Multnomah Counties.

Water is the lifeblood of our industry

Our members depend on reliable access to clean, plentiful water to irrigate their plants. Our members have spent generations as stewards of the state's natural resources. We believe that economic vitality can go hand in hand with sustainability and long-term environmental health. We are deeply committed to a forward-looking state water policy

that recognizes the importance of investing in our state's water future for the benefit of all our citizens. The OAN recognizes that policies are only as good as the ability of the department to enact them. This is why we support the base budget that is before you today, the water right transaction fee bill (HB 2295) and the continued water investment within the bonding packages (\$32 million) that will be considered in Capital Construction.

General fund dollars are critical for WRD success

We want to voice our strong support for the State's investment in water resources as outlined in the Governor's proposed 2017-2019 Budget. The OAN commends your continued hard work in crafting a balanced budget that meets the needs of all Oregonians and request that you include investments in water supply management and development in your final budget package.

The WRD and their mission is one that serves the public at large as well as the community that depends on the services the state agency provides on a daily basis. Over the past two budget cycles, this legislative body has supported modest budgets by the natural resource agencies. This is critical and WRD and others cannot afford to lose General Fund allocations – especially since they account for less than 2 percent in aggregate of the total general fund. Yet these funds support an array of program elements essential not only to the mission of the WRD, but to the economy.

We also urge the Legislature to oppose the diversion of funds from fee accounts into the General Fund (otherwise known as “fund sweeps”). This is a critical issue that would affect agency funding and operations far into the future. Many of these programs are funded, partially or fully, by fees paid by Oregon companies and individuals. It is important to keep in mind that many of these fees were established or increased with the support of the fee payers with the clear expectation that the fees will be used for purposes specified by the agency, statute, or by rule. The OAN believes strongly that sweeping out these funds will not only damage the ability of the agency to perform its mission, it would rightly be perceived as extremely unfair to the fee payers and unavoidably damage the trust built between the state and its fee payers.

Transaction fee increases are tough but necessary

The OAN participated in several work groups over the past couple of years to assist the Water Resources Department hone in on mission critical activities that support and enhance the agricultural production in our state. While we are deeply concerned about the structural cost inflators – such as the Public Employee Retirement System – is placing on our state agencies across the board – adequately funding the Water Resources Department's water rights transactions is important to the OAN and its members.

House Bill 2295 (or Package 100 in the Governor's Recommended Budget) will help maintain the processing of water right transactions and projects costs through 2021. Let us be clear, a 15.88 percent increase is tough for agriculture and our industry to accept – however – the state's inability to deal with structural costs in other areas of the budget is

forcing this increase over the 13% increase adopted in 2013. We need the WRD to process water right transactions in a timely manner and therefore support this increase.

Continue investment in water supply management

The OAN has been a strong proponent of integrating the development of new water storage with conservation incentives. Our industry has been using both tools to meet both short-term and long-term water supply demands, and we believe that they are critical to drought adaptation in the future. This body took an important step toward that future in 2013, when it passed SB 839, creating the Water Supply Development Fund. Oregon's nurseries were one of the primary supporters of Senate Bill 839, and we remain convinced that it is a good initial step. In 2015 the legislature demonstrated its commitment to the future by funding \$50 million in water infrastructure. In 2017 – despite a tough budget year, Governor Brown has proposed an additional \$32 million for water supply and drought resilience. Our neighboring states are well ahead of us; Washington invested \$250 million in water development in the Columbia Basin, while California – perhaps the poster child for drought and a cautionary tale for waiting too long – has committed to invested well in excess of \$7 billion in water infrastructure.

- **Grants to evaluate the feasibility of potential water projects (\$2 million – lottery bonds):** These grants will assist to meet Oregon's water needs by utilizing grants to assess the feasibility of developing water conservation, reuse or storage projects. The OAN helped lead the effort to pass SB 1069 several years ago and this effort needs to be funded through Lottery Bonds.
- **Grants and loans to implement water projects (\$30 million – lottery bonds):** Recapitalization of the Water Supply Development Account, as designed in SB 839 (2013) will allow grants and loans to be utilized to develop water resources projects that blend economic, ecological and community benefits. This is a statewide effort and so far demand for dollars has far exceeded available funding. The request for these dollars have been paired back in recognition of the state's current funding difficulties.

Water is not simple and it will take many steps to create solutions

Oregon must wisely invest dollars while ensuring that state funded efforts provide economic, environmental, and social benefits without making funding decisions overly burdensome. Investing in Oregon's water supply and properly funding important programs will ensure that future generations have adequate water supplies that support thriving communities, flourishing industries, and healthy ecosystems.

The OAN urges you to pass Senate Bill 5542 and support the other important funding decisions as part of the total water package in 2017. Thank you for your time and consideration.