

ANALYSIS

Item 67: Water Resources Department Klamath County Domestic Wells

Analyst: Matt Stayner

Request: Allocate \$5 million General Fund to the Water Resources Department to address dry domestic and community wells.

Analysis: The Oregon Water Resources Department (WRD) currently operates two financial subsidy programs specifically dealing with failing domestic wells due to reduction in available groundwater resources. HB 3092 (2021) established a grant program for the costs related to replacement, repair, or deepening of well in the Greater Harney Groundwater Area of Concern. The bill appropriated \$500,000 General Fund to the program, but the program is geographically limited.

The Water Well Abandonment, Repair, and Replacement Fund (WARRF) was established by HB 2145 (2021) along with an associated program at WRD to provide financial assistance to permanently abandon water wells, or to repair and replace water wells used for household purposes for a number of reasons outlined in the bill, including ground water declines. The fund has been capitalized with just over \$3.4 million General Fund and \$2 million from the American Rescue Plan Act during the current biennium via multiple legislative actions. The WARRF is accessible to projects statewide but is structured to address low to moderate income applicants. As of the September meeting of the Water Resources Commission, the agency reported that just over \$1.1 million of the total had been awarded.

As a part of a drought package included in SB 5561 (2021 2nd Special Session), \$4 million General Fund was appropriated to the Department of Administrative Services (DAS) for distribution to Klamath County to provide domestic and community well assistance. WRD reports that Klamath County has paid out \$1 million of these funds to date but anticipates the total \$4 million to be allocated by the end of the current calendar year. The lag between allocated funding and the actual payment of awards is reportedly due to a shortage of licensed well drillers. Grant payments to individuals are made by Klamath County following the completion of the work.

The ongoing drought conditions in Klamath County are such that WRD reports the \$4 million General Fund previously distributed to the county will only be sufficient to address assistance applications for deficiencies reported in 2021 and not those reported in 2022. The Legislative Fiscal Office recommendation assumes the distribution of additional funding to Klamath County will be made in a similar manner to the funding provided to the county through the Department of Administrative Services (DAS), and that WRD will consult with DAS in doing so.

Recommendation: The Legislative Fiscal Office recommends that \$5,000,000 General Fund be allocated to the Water Resources Department from the special purpose appropriation made to the Emergency Board for the state's natural disaster prevention, preparedness, response and recovery activities, for distribution to Klamath County, to address dry domestic and community water wells.

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Oregon Water Resources Department
Crawford

Request: Allocate \$5.0 million from the State Emergency Fund to enter into a grant agreement with Klamath County to address dry domestic and community wells.

Recommendation: Approve the request.

Discussion: Oregon is experiencing drought. According to the National Oceanic and Atmospheric Administration's U.S. Drought Monitor, over 30 percent of Oregon is classified as being in Extreme Drought. This drought is being felt especially east of the Cascades where the proportion of land in Extreme Drought is higher.

The Legislature appropriated funding to several agencies in the December 2021 Legislative Session to address water infrastructure and drought issues. Most pertinent to this request was \$4.0 million to be granted to Klamath County to address domestic and community well assistance. Klamath County has used this allocation to fund work on the 263 wells in Klamath County, reported as dry or underperforming in 2021. Klamath County projects all funding from the December 2021 Legislative Session will be allocated by the end of this calendar year to address those wells reported in the 2021 calendar year.

As of August 22, 2022, an additional 161 domestic wells have been reported in Klamath County as dry or underperforming so far in 2022. This requested funding would be granted to Klamath County by the Water Resources Department (WRD) on an up-front basis with an expectation on the county to report back to WRD after receipt and allocation of the funding on how the funding was spent and the number of wells improved or dug.

Legal Reference: Allocation of \$5.0 million from the State Emergency Fund to supplement the appropriation made by Chapter 665, Section 1(4), Oregon Laws 2021, for Oregon Water Resources Department, Technical Services for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Water Resources Department

North Mall Office Building

725 Summer St NE, Suite A

Salem, OR 97301

Phone (503) 986-0900

Fax (503) 986-0904

www.Oregon.gov/OWRD

August 22, 2022

Senator Peter Courtney, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs,

Nature of the Emergency

Oregon and the western United States are in the worst megadrought on record as the extreme dryness has lasted for decades. Although there have been individual years of wet conditions over the recent years, on average conditions have been drier than any other 22-year period in the past thousand years. The leading contributors to drought are higher than average temperatures combined with reduced precipitation such as rain or snowfall. These two factors influence snowpack, soil moisture, and streamflow which disrupt water supply cycles impacting people, ecosystems, and the local economy.

In 2021, the Oregon Water Resources Department (Department) received 263 reports of dry or underperforming domestic wells in Klamath County alone. As of August 22, 2022, an additional 161 domestic wells have been reported in Klamath County as dry or under-performing. During the 2021 December Special Session, the Legislature provided \$4 million to the Department of Administrative Services to provide to Klamath County resources to address dry domestic and community wells.

Thus far, Klamath County has reportedly paid out \$1 million on 85 grant applications and anticipates allocating all of the \$4 million by the end of the calendar year. Affected residents are awaiting available licensed well drillers and the county is then paying upon completion of the necessary well work. Although nearly all of the \$4 million has been allocated, according to Klamath County, the wells allocated funding to date were reported in 2021 and wells that were impacted and reported this year (2022) were not able to apply for their program. As a result, Klamath County anticipates a need to provide further assistance, beyond what has already been provided.

At the request of Klamath County due to the increased need, and per the Governor's Office's direction, the Department is seeking additional funding for Klamath County's well program.

Agency Action

In 2021, the Department received \$5.4 million its Well Repair, Replacement, and Abandonment Fund (WARRF) to address domestic wells. The budget report during the 2021 December Special Session allocating additional funds stated, *"It is the intent of the Legislature that the Department prioritize the available funding in the Water Well Abandonment, Repair, and Replacement Fund, for assistance to persons of lower or moderate income for domestic wells that are in an area of, and recently impacted by, drought or wildfire."*

The Department launched the WARRF in June 2022. The Department has received more than 50 applications to date and is currently working to process these applications. Klamath County residents can apply for the Department's program if they have not received funding from Klamath County. However, unlike with the Klamath County funding program, they need to meet low to moderate income criteria to qualify for the State program. Additionally, under the Klamath County program there is a 75/25 percent cost share with the landowner, whereas the state program provides 100 percent grant funding due to its focus on assisting low to moderate income well owners. Both programs have a \$40,000 per household funding cap. The Department has received some applications from Klamath County well owners and is currently working to process those requests, as well as to process requests from affected well owners in other parts of the state. Klamath County has indicated a need and desire to continue their well funding program due to the significant number of affected wells in their area.

Action Requested

Pursuant to ORS 536.500, the Department is requesting \$5 million in General Fund to be deposited in a separate and distinct account "for the purpose of encouraging, promoting, and securing the maximum beneficial use and control of the water resources of this state" by facilitating access to water in a time of drought in Klamath County. The Department would enter into a grant agreement with Klamath County to address dry domestic and community wells.

Legislation Affected

Amend Oregon Laws 2021, Chapter 665 (Senate Bill 5545), Section 4, Subsection 4, "Technical Services," increasing the budget by \$5 million.

Senator Peter Courtney, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Emergency Board
August 22, 2022
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Thank you for your consideration of this request. For additional information, please contact Lisa Snyder, Administrative Services Division Administrator, at (503) 983-5801.

Sincerely,



Thomas M. Byler
Director

c: Amanda Beitel, Legislative Fiscal Office
George Naughton, Chief Financial Office
Matt Stayner, Legislative Fiscal Office
Sione Filimoehala, Department of Administrative Services
Adam Crawford, Department of Administrative Services
Courtney Warner-Crowell, Governor's Office
Morgan Gratz-Weiser, Governor's Office