



Oregon

Tina Kotek, Governor

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MEMORANDUM

TO: Water Resources Commission

FROM: Bryn Hudson, Legislative Coordinator
Lisa Snyder, Administrative Services Division Administrator,

SUBJECT: Agenda Item B, June 13, 2024
Water Resources Commission

Budget and Legislative Update

I. Introduction

This report provides an update on the 2025-2027 budget and legislative development process, including a summary of relevant policy option packages and legislative concepts.

II. Integrated Water Resources Strategy Recommended Action

- 13.B Fund water resources management activities at state agencies

III. Background

Proposals for legislation were due to the Department of Administrative Services (DAS) on April 30 for the 2025 Legislative Session. Materials must be submitted to DAS by June 24 if the Governor's Office approves a concept moving forward; however, legislative concept language and materials for placeholders are due July 31.

Draft proposals for budget policy option packages (POPs) were due to DAS and the Governor's Office on April 30. Further discussions will occur with the Governor's Office to determine what proposals move forward. Final pricing for policy option packages is due June 28. The final agency request budget document is due to the DAS Chief Financial Office by July 31, 2024.

The Department met with interested parties on March 13, April 9, and May 7, 2024, to discuss both legislative and budget proposals for the 2025 Legislative Session. The meeting recordings and materials are posted on the Department's website at www.oregon.gov/owrd/programs/policylawandrules/LegislativeAndBudget.

The Department is also hosting issue specific legislative meetings with interested parties. Since March 13, the Department has held 7 meetings on both fee revenue shortfalls and opportunities for water right transaction process improvements. The Department anticipates discussions on the legislative concepts will be ongoing even after the July 31 filing deadline.

IV. Legislative Concepts

The Department submitted five Legislative Concepts (LCs) for DAS consideration for the 2025 session. These proposals may change over time with additional discussion:

1. **Klamath Leases and Temporary Transfers Sunset Date:** Sections 1 and 2, chapter 445, Oregon Laws 2015 grant the Department authority to approve temporary transfers and leases for determined claims in the Upper Klamath Basin, which is undergoing an active adjudication. This authority sunsets in January 2026. If this authority sunsets, the Department will not be able to approve leases or temporary transfers until the adjudication is completed, which limits water users' ability to use their water rights. Since it is unclear when the adjudication will be completed, the Department is proposing to extend the current sunset date by inserting language to repeal the program upon completion of the adjudication. This way, the Department will not have to return to the legislature to request future program extensions should the adjudication continue to take longer than anticipated.
2. **Placeholder – Water Right Transaction and Dam Safety Fee Shortfalls:** Staff in both the Dam Safety and Water Right Services Division are partially supported by fees. These programs are core to the Department's mission of responsibly managing Oregon's water resources and maintaining public safety. The Department is facing shortfalls to support staff funded by dam safety annual fees and water right transaction fees. Additional policy work with stakeholders and internal staff to streamline processes and policies will accompany this work. The Department is facing shortfalls to support staff funded by water right transaction fees of up to \$4,800,000 and for dam safety fees of up to \$250,000 over the 2025-2029 period. The Department is currently discussing options with interested parties.
3. **Placeholder – Well Construction Program Fee Shortfalls:** The Department's well construction programs are almost entirely funded by fees. The ability for the agency to inspect wells to protect public health and safety and to prevent groundwater contamination and waste of groundwater resources requires (1) inspections of wells; (2) well log technical reviews; (3) licensing of well drillers. The Department is facing shortfalls to support staff funded by Start Card fund of up to \$975,000 and for Well Driller Licensing and Landowner Permit fees of up to \$51,000 over the 2025-2029 period. The Department is currently discussing options with interested parties.
4. **Placeholder – Water Right Transaction Process Improvements:** The Department is experiencing backlogs in several of its water right programs, including water rights, transfers and protests. While some of these backlogs are related to inconsistent funding, the Department is currently exploring opportunities to streamline and improve processes and policies related to water right transaction processes, including changes to statutory language. These conversations are occurring simultaneously with discussions on fee revenue shortfalls in the water right transaction programs. Solutions are being discussed with interested parties.
5. **Harney CREP Program Other Fund Transfer:** The Harney Valley CREP (Conservation Reserve Enhancement Program) is a voluntary program operated through the USDA Farm Service Agency in partnership with OWRD that seeks to improve groundwater conditions in

the Harney Basin by incentivizing landowners to voluntarily cancel groundwater rights within the Greater Harney Valley Groundwater Area of Concern. The program provides funding for up to 15 years of payments to landowners who volunteer to cancel groundwater rights. The Department's base budget was allocated \$500k for the program in general funds (GF) each biennium; unspent funds will go back to the state general fund at the end of each biennium. This limits the number of participants that can be enrolled as it requires landowners to take a lump sum payment from OWRD to ensure full utilization of available funding prior to the end of the biennium; this limits flexibility of CREP for the community of Harney County. The bill proposes a technical change that would allow the unspent GF allocation to roll into an "other funds" account each biennium, which would allow for the Department to commit to longer term or lump sum contracts to meet the needs of the participants enrolling in the program.

V. Budget Policy Option Packages

While the revenue forecast is projecting an increase in available revenues over the 2023-25 biennium, the projected growth in revenue is likely only enough to cover the increase in costs for current programs. The Department has been informed that there will not be resources to make significant program expansions or capacity to establish new programs in the 2025-2027 biennium. As a result, the Department has been directed that for programs relying on General Fund, Agency Request Budget policy option packages are limited to 1 percent of the current 2023-25 Legislatively Approved Budgets; this totals \$1,022,150 for the Department. No limits have been placed on other types of funding source requests at this time.

Given the limited revenue forecast and the desire to limit new programs, the Department has focused new investments on improving customer service, process efficiency, and delivery of existing programs. Attachment 1 provides a short summary of the draft list of policy option packages submitted to DAS.

VI. Conclusion

The Department will continue to work to refine and modify budget and legislative concept proposals for the 2025 Legislative Session over the coming months. Staff will continue to update the Commission as that work progresses.

Attachments:

1. DRAFT Budget Policy Option Package Short Summary

Bryn Hudson
503-302-7584

Lisa Snyder
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Attachment 1. DRAFT Policy Option Package Short Summary. Pricing may be incomplete/subject to change. OWRD will work in conjunction with the Governor’s Office on final list.

| OWRD GF Cap: \$1,022,150. Non-GF packages are listed first. All GF items above the thick black line fall within GF cap. All items below the line are GF requests in excess of the CAP. | | | | |
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| Title/Topic | Issue | Proposed Solution | Estimated 2025-27 resources needed | GF |
| Budget Shortfall: Well Construction-Related Fees Increase Package | OWRD's well construction programs are almost entirely funded by fees. The ability of the agency to inspect wells to protect public health and safety and to prevent groundwater contamination and waste of groundwater resources requires (1) inspections of wells and well construction reports; (2) well log technical reviews; (3) licensing of well drillers | Fee increases are needed for start cards, and other well construction programs, in order to fund the program staff supported by fees. Fee increases of 6%-33%, depending on the program, would be needed to maintain current staffing. <i>Administrative Systems for Customer Service, Resiliency/Wildfire/Climate; Agency Budget Gap</i> | Fees are increased for a four year period. Revenues are as of 27-29 biennium (OWRD still working with interested parties to negotiate fee increase) - Start Card: \$210,000 - \$975,000 - Licensing: \$26,000 - \$51,000 | No |
| Budget Shortfall: Water Right Transactions and Dam Safety Fee Increase Package | Fee increases are needed to support dam safety staff who complete engineering analyses and inspections, and water right transactions in order to fund the program staff supported by fees. These programs are core to the Department's mission of responsibly managing Oregon's water resources and maintaining public safety. | The Department needs fee increases ranging from 35%-85%, depending on the program. Additional policy work with stakeholders and internal staff to streamline processes and policies will accompany this work. <i>Administrative Systems for Customer Service and Resiliency; Agency Budget Gap</i> | Fees are increased for a four year period. Revenues are as of 27-29 biennium (OWRD still working with interested parties to negotiate fee increase) -Water Rights: \$3,600,000 - \$4,800,00 -Dam Safety: \$78,000 - \$250,000 | No |
| Package 070 - Fee Shortfall Reduction Package (if fees not increased) | Several fee supported programs at the Department, well construction, dam safety, water rights, are facing a revenue shortfall if we are not able to increase fees. If we do not increase fees, a reduction package will be needed to offset the costs related to the revenue deficiencies. | Reduce number of positions supported by fees; this will likely result in increased backlogs and slower processing times for water rights and likely reduced capacity to provide timely services for well drillers from well construction staff. | Reductions if no fee increase (OWRD still working with interested parties to negotiate fee increase): Start Card Fund:0.5-2.25 FTE Water Rights: 8-10 FTE Dam Safety: 0.25-0.5 FTE | No |

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| | | | Licensing and Permits: 0.25 FTE | |
| Harney Conservation Reserve Enhancement Fund | This POP proposes no new resources but is intended to address an ongoing budget issue, where funds for the CREP program (which generally includes contracts to be paid annually for 15 years) are not set aside in a fund to be able to pay the committed ongoing payments. | This POP is looking to shift the ongoing \$500k GF in our base budget into the account that would be established by the LC on the other tab. <i>Resiliency</i> | No new resources needed; Asking to change how the appropriation is structured | No |
| Grant Programs: Recapitalize Funding for Existing Grant Programs (WPGL, FSG, WARRF) | OWRD’s competitive grant programs provide direct investment in water supply solutions and frequently serve as match for federal programs: Feasibility Study Grants support investigations of project feasibility, and Water Project Grants and Loans invests in implementing solutions with public benefits. Nearly a quarter of Oregonians get their drinking water from domestic wells and even more rely on groundwater from public sources. The Water Well Abandonment, Repair, and Replacement Fund (WARRF) provides financial resources for OWRD and others to restore access to water in homes and protect groundwater from contamination and co-mingling. | Recapitalize investments to continue to provide financial assistance and achieve the goals of these programs. We request that these be deposited into their respective accounts. <i>Wildfire, Resiliency, Climate, and Cost-Burdened Oregonians</i> | Feasibility Study Grants: \$1M LRB one-time; this would be in addition to existing GF base budget of ~\$480K Water Projects Grants and Loans: \$20M LRB one-time WARRF: \$1M LRB one-time | No |
| Repurpose of Uncommitted Facilitation Funds | OWRD has \$600,000 of uncommitted facilitation dollars. OWRD would like to broaden the scope of what that funding can be used for. Work on complicated water issues doesn't just require facilitation, it requires outreach and communications materials, community engagement events, and applying an equity lens - seeking to engage communities that are impacted by the department's decisions, including those that are under-resourced or underrepresented. This could help with: Groundwater budget outreach and related work, DEI-EJ work, agency rulemakings and other important policy work. | Broaden authorization of this funding from facilitation services to also include preparation of outreach and communications materials; funding to carryout outreach and community engagement events; trainings for communications, facilitation and outreach for staff; funding to increase translation of materials and provide more accessible materials and website. Funding for services to support DEI-EJ work including trainings and consulting services. Funding of other POPs below could also be considered. | Budget Neutral; Broadening Scope of Authorized GF Funds | No |
| American Rescue Plan Act Carryover | Placeholder at this time for federal ARPA dollars that have been extended and need to be spent by 12/31/2026. Awaiting further guidance from CFO. | Carryover remaining funds | ARPA Federal Funds: TBD | No |

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| <p>Information Technology: Business Analyst Capacity</p> | <p>The IT Strategic Plan identified key IT initiatives that advance the agency’s IT maturity from being a reactive Firefighter to a more proactive Trusted Operator. IT maturity will be key to the agency’s ability to execute on many of its desired goals and strategic priorities. IT is a foundational piece of agency operations and at its current maturity level, many agency strategic objectives are at significant risk. Currently, well construction information systems are not meeting needs and creating productivity losses in staff workflows. Systems like the Field Operations Database need resources to continue modernization efforts. Further, OWRD’s water rights transactions (applications for permits, transfers, etc) have a backlog and the public that we serve complains that processing times are too long and they are not receiving adequate service, while fees to maintain the existing service continue to increase. Improvements to that program will require investments in technology. The dept has not had sufficient IT resources to make those improvements. There are additional technology needs, too many to list here, including improving how we store and access water data.</p> | <p>The agency needs added IT resources to advance the IT Strategic Plan in support of advancing the agency’s strategic objectives and supporting initiatives. The section is looking for resources to do more project planning and business analysis along with more network and data architecture. OWRD needs to modernize its IT functions and the first start is to invest in business analysis and project management to ensure that we can successfully scope and execute much needed modernization projects. <i>IT and Administrative Systems; Climate and Resiliency; Cost Burdened Oregonians</i></p> | <p>1 Business Analyst OPA 3 (21 months): \$254,000 GF</p> | <p>Yes</p> |
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| <p>Human Resources and Workplace Safety Needs</p> | <p>Workload and responsibilities in Human Resources have significantly increased over the last biennium, with the agency adding nearly 100 positions. Ensuring the agency is meeting the Governor’s expectations, administering the new Paid Leave Oregon program, in addition to future work associated with implementation of the agency’s Succession Plan has been taken on by the position assigned to ensuring workplace safety in the HR section. The agency now consists of nearly 250 employees, many of which work in field locations throughout the state, in all kinds of worksites and with various equipment. There is simply insufficient capacity to give the dedicated attention necessary for scaling the workplace safety program to an acceptable level to meet the new and growing demand within a reasonable time frame. Agencies are also experiencing increased safety concerns voiced by staff, who are demanding more action to address safety issues.</p> | <p>Create a 0.75 FTE position dedicated to developing and administering the agency’s safety, worker's comp and wellness program. This will address employee safety concerns, help meet regulatory requirements, and reduce the workload of HR staff, which have seen a significant increase in work and requirements related to Paid Leave Oregon, and Workday. <i>Administrative Systems</i></p> | <p>1 Safety Specialist 2 (18 months): \$205,000 GF</p> | <p>Yes</p> |
| <p>Budget Gap: Internal Audit Function</p> | <p>The Department met the criteria in 1(c) of Oregon Administrative Rule 125-700-0125 as of Fiscal Year 2016, requiring an internal auditing function (ORS 184.360). DAS has informed both OWEB and OWRD of the need to have an internal auditing function. Both agencies have continued to obtain waivers, while attempting to get resources to do this work.</p> | <p>The Department has reached out to the Oregon Watershed Enhancement Board for sharing a position and is intending to share the Internal Auditor position, if funded. This package would provide funding to OWRD (and in a separate package for OWEB) to share an internal auditor position. <i>Administrative Systems for Safety; Budget Gap.</i></p> | <p>1 Internal Auditor 3 (21 months) split with OWEB: \$142,000 GF (OWRD's portion) and OF limitation from OWEB \$142k</p> | <p>Yes</p> |
| <p>Budget Shortfall: State Scenic Waterways</p> | <p>Oregon Parks and Recreation Department currently provides funding to OWRD for scenic waterway work. Over the last several biennia, contract inflationary increases have not kept pace with state employee personal services costs for the Department’s six positions that provide support for the State Scenic Waterways program, which is administered in conjunction with OPRD. Budget gaps may mean that the agency has to leave positions open to obtain vacancy savings, meaning a reduction in services across various programs of the agency due to vacant positions.</p> | <p>This funding proposal will backfill the six existing split funded positions with general fund in the amount above the existing contracted amount with the Oregon Parks and Recreation Department for Scenic Waterway work or increase (OF revenue) contract funding for budgeted positions from Parks. Adjust positions in budget to positions currently doing the work. Assumes that Parks inflated the contract based on standard projected inflation rate of 4.2% for 2025-27. <i>Agency Ongoing Budget Gap</i></p> | <p>\$303,150 GF</p> | <p>Yes</p> |

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| <p>Web Coordinator</p> | <p>The Department currently does not have a primary staff member in charge of updating and maintaining the agency website. In addition, the Department has received feedback that the website is difficult to navigate and that information is not accessible. OWRD has seen an increase in interest in water issues, is working on complex and high-profile water issues, and is also seeking to build relationships with communities to address water challenges; all of this work requires building trust and having an up-to-date website where people can find information and have confidence that the agency is being transparent.</p> | <p>Add a part-time web coordinator responsible for ensuring the Department's website is up-to-date with all relevant information that the public may need, while also considering ease of use, public transparency and website accessibility. <i>IT Administrative Systems; Customer Service</i></p> | <p>0.5 Web Coordinator PAS 1 (12 months): \$118,00 GF</p> | <p>Yes</p> |
| <p>Budget Shortfall: HB 3315 ODFW Reviews for Water Right Transactions</p> | <p>House Bill 3315 (2015) required the Department of Fish and Wildlife to recoup costs incurred for providing certain services beginning July 1, 2019. WRD is required to pay for funding for ODFW work on fee-based programs via HB 3315 (2015) but has not been provided additional funding in order to pay for ODFW expenses that began to be incurred in the last several biennia. Meanwhile, the programs that ODFW bills for are partially fee based and have seen significant fee increases that do not cover these costs, while also seeing a reduction in staff capacity to provide services due to a lack of fee revenues. Budget gaps may mean that the agency has to leave positions open to obtain vacancy savings, meaning a reduction in services across various programs of the agency due to vacant positions.</p> | <p>This package would pay for costs incurred by WRD for ODFW fish related expertise as part of the water rights and extensions processes to complete reviews as well as the backlogged fish persistence work. HB 3315 ODFW Reviews: Add general funds to WRD’s budget to cover the cost of the reviews. <i>Agency Ongoing Budget Gap.</i></p> | <p>\$225,000 GF</p> | <p>Yes</p> |
| <p>Information Technology Package</p> | <p>The IT Strategic Plan identified key IT initiatives that advance the agency’s IT maturity from being a reactive Firefighter to a more proactive Trusted Operator. IT maturity will be key to the agency’s ability to execute on many of its desired goals and strategic priorities. IT is a foundational piece of agency operations and at its current maturity level, many agency strategic objectives are at significant risk. Currently, well construction information systems are not meeting needs and creating productivity losses in staff workflows. Systems like the</p> | <p>The agency needs added IT resources to advance the IT Strategic Plan in support of advancing the agency’s strategic objectives and supporting initiatives. The section is looking for resources to do more project planning and business analysis along with more network and data architecture. OWRD needs to modernize its IT functions and the first start is to invest in business analysis and project management to ensure that we can successfully scope and</p> | <p>1 Project Manager ISS7 (18 months): \$224,000 GF (portion of needed resources due to exceeding cap)</p> | <p>Yes</p> |

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| | Field Operations Database need resources to continue modernization efforts. Further, OWRD's water rights transactions (applications for permits, transfers, etc.) have a backlog and the public that we serve complains that processing times are too long and they are not receiving adequate service, while fees to maintain the existing service continue to increase. Improvements to that program will require investments in technology. The dept has not had sufficient IT resources to make those improvements. There are additional technology needs, too many to list here, including improving how we store and access water data. | execute much needed modernization projects. <i>IT and Administrative Systems; Climate and Resiliency; Cost Burdened Oregonians</i> | | |
| OWRD Water Data Needs and Potential Water Data Portal Package | OWRD has significant need to address data QA/QC issues and data entry in order to make data usable both for Department programs as well as for it to be utilized in work for the Water Data Portal and other data sharing efforts. <i>[removed from POP due to cap: In addition, the agency needs to continue to work through data sprawl issues and data architecture (Systems Architect not included in this package due to exceeding cap). Additional Data coordination needs are required for Oregon's Open Data and Water Data Portal work.]</i> | OWRD anticipates that this POP would include additional data techs to QA/QC data and conduct data entry. <i>IT and Administrative Systems for Customer Service; Climate and Resiliency; Cost Burdened Oregonians</i> | 1 Data Specialist ISS5 (18 months): \$200,000 GF (portion of needed resources due to exceeding cap) | Yes |
| Budget Shortfall: Department of Justice/ Legal Expenses | Legal issues continue to increase in the face of climate change. The Department is currently exceeding its budget for Department of Justice expenses. Budget gaps may mean that the agency has to leave positions open to obtain vacancy savings, meaning a reduction in services across various programs of the agency due to vacant positions or delay work to manage costs. DOJ expenses have also periodically resulted in the agency going to emergency board. | The Department needs additional funds to supplement costs incurred to DOJ for litigation expenses. <i>Climate and Resiliency, Budget Gap, Administrative Systems</i> | \$1,000,000 GF | Yes |