



Oregon

Theodore R. Kulongoski, Governor

Water Resources Department

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MEMORANDUM

TO: Water Resources Commission

FROM: Tracy Loudon, Administrative Services Administrator

SUBJECT: Agenda Item G, February 19, 2010
Water Resources Commission Meeting

Budget Update – 2009-11 Biennium

I. Issue Statement and Background

The Department's 2009-11 biennial budget is based on projected revenue of \$37.2 million for the biennium. There are two key components of the projected revenue that are being closely monitored to determine their final impact on the 2009-11 budget. The first is any changes that may be made to the General Fund budget by the Legislature's February special session. The second is the current economic recession which has reduced fee based revenues.

II. Discussion

The Department anticipates that if there is a shortfall in revenue during the 2009-11 biennium, that it will be necessary to take management actions to reduce expenditures appropriately. A list of possible General Fund reductions were discussed with the Commission during its last meeting and forwarded to the Legislature for their review during the February 2010 special session. This report updates the Commission on General Fund revenue and projected fee based revenue.

General Fund

The citizens of Oregon passed Measures 66 and 67, reaffirming the Legislature's action to balance the state budget with \$727 million through a change in Personal Income Taxes and Business Taxes and Fees. Though the Legislature may consider reductions to the Department's \$21.0 million General Fund budget during the February 2010 special session as a result of reduced revenue forecasts, the potential General Fund budget deficit for the State is much less than it might have been if the Measures had failed. The Department will respond to stakeholders and legislators as necessary to provide information related to the impact on services if reductions are necessary.

Fee based revenue

The Department's budget includes \$7.6 million in fee based revenues. This represents 20 percent of the overall budget for the Department. Because of a reduced number of transactions caused by the current economic recession, the Department is projecting, as of December 31, 2009, a

revenue shortfall of approximately \$736,000 or just under 10 percent of the fee based revenues. To balance the projected loss in fee based revenue, the Department has taken steps to reduce expenditures, leaving positions vacant where appropriate.

Other/Federal Revenues

Other revenue sources in the amount of \$8.6 million are assumed to be fully funded for the 2009-11 biennium. These revenues come from Lottery funds, Lottery bonds, Federal Grants, Contracts for services, and Water Development Loan Fund loan repayments (one loan).

III. Summary

The Department's fee based revenue, which represents 20 percent of the budget, is projected to be \$736,000 lower than anticipated for the 2009-11 Legislatively Adopted Budget due to the economic recession. The remaining 80 percent of the budget, primarily comprised of General Fund, Lottery/Lottery bonding, Federal Grants, and Contracts for services appears stable at this time. Staff will provide updates as they become available.

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