



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 F, August 27, 2010
Water Resources Commission Meeting

Budget Update: 2009-11 Budget; 2011-13 Agency Request

I. Issue Statement

The Department continues to actively manage its 2009-11 budget and prepare for the 2011-13 biennium. This report will address:

- Update on actions taken to reduce the current biennium General Fund deficit
- New General Fund revenue forecast available August 26, 2010
- Projection of Other Fund ending balances for 2009-11
- Final numbers for the 2011-13 Agency Request Budget
- 25% General Fund Reduction Options for the 2011-13 Biennium

II. Discussion

On June 22, 2010, the Governor directed the Department of Administrative Services to begin taking action to prevent the current forecasted 2009-11 budget deficit by using the allotment authority under ORS 291-261. This authority restricts the Governor to applying an across the board action on all General Fund appropriations to eliminate the projected deficit, currently estimated as approximately a 4.6% reduction of the biennial appropriation. The Water Resources Share of this reduction was \$965,740 (Attachment 1) which will be implemented throughout the remainder of the biennium. The implementation of those reductions has been successful to date and will continue until the current difficulties are resolved.

A new revenue forecast from the Office of Economic Analysis is scheduled for August 26, 2010, which may cause additional budget adjustments for the current biennium as well as modify the projected General Fund deficit for next biennium. Staff will provide information as it becomes available and discuss potential impacts on the current and future biennial budget of the Department.

The Legislative Fiscal Office has requested Other Fund ending balance information from all agencies. This request was made due to the "uncertain economic conditions and the potential need to have rebalancing options available to the Legislature" following the August 26th revenue

forecast. This information has been used in the recent past by the Legislature to consider “sweeping” balances that are considered “surplus” to operating needs. The information submitted by the Department is attached (Attachment 2) and will be discussed with the Commission to answer questions that may arise.

The Department’s 2011-13 Agency Request Budget has requested \$85.2 million in funding as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Lottery Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Admin Services	3,451,589	23,433,195	4,650,969	-	31,535,753
Field Services	10,476,603	2,976,518	-	122,030	13,575,151
Tech Services	5,705,508	3,954,429	-	1,105,794	10,765,731
Water Rights	2,172,265	2,811,854	-	-	4,984,119
Director's Office	2,433,549	3,796,323	754,197	-	6,984,069
Water Dev Loan Fund	-	17,332,203	-	-	17,332,203
	24,239,514	54,304,522	5,405,166	1,227,824	85,177,026

This represents a \$35.6 million continuation of Current Service Level which would continue operational costs as they are today, less one time authorized expenditures, and \$49.6 million in proposed packages as detailed in Attachment 3.

III. Conclusion

No Commission action is necessary. This report updates the Commission on the status of the current 2009-11 budget and proposed 2011-13 budget request.

Attachment 1: Detail of Allotment Reduction to 2009-11 Legislatively Approved Budget

Attachment 2: Other Funds and Lottery Funds Ending Balances for the 2009-11 Biennium

Attachment 3: 2011-13 Proposed Budget Packages

Attachment 4: General Fund Reduction Options for 2011-13 Biennium

Tracy Loudon
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ATTACHMENT 1

Water Resources Department		
2009 - 2011 Biennium		
Detail of Allotment Reduction to 2009 - 11 Legislatively Approved Budget Level		
Program Unit/Activity Description	GF	Impact of Reduction on Services and Outcomes
Dept of Admin Services - Assessment Rebates	19,885	Reduction in DAS assessments due to reduction of working capital by DAS.
No step increases for remainder of biennium for Management staff	87,942	Services and Outcomes not impacted during the 2009-11 biennium by this reduction.
PEBB - 2nd year plan increase reduced from 9% to 5%	36,848	Services and Outcomes not impacted during the 2009-11 biennium by this reduction.
Limit Water Resources Commission meeting location(s) to Salem	6,000	Lost opportunities for Commission members to hear from local officials on matters relating to the Water Resources of the State in an open public forum.
Postage Costs	2,500	Additional mailings and public communications will be made available through e-mail or web postings.
Reduce purchase of replacement computers/printers	21,230	Replacement of aging technology will be deferred. Staff interaction with databases and internet information sources will be slowed.
Groundwater Studies	75,000	<ul style="list-style-type: none"> • This would eliminate funding for continued scientific study of Oregon's groundwater resources, including the quantity and location of available groundwater. • At one time the Department's budget for this activity was \$1.2 million, and the state used these funds to leverage Federal dollars in a one-to-one cost share. • Reduced from \$125,000 to \$75,000 in 2009.
Staff positions will remain vacant and external recruitments will be curtailed until further notice. - Administrator, Field Services - Administrator, Technical Services - Support Services Supervisor - Dam Safety Manager - IT Manager - Klamath Falls Watermaster - Senior Hydrologist / Water Availability Modeler - Adjudication Specialist - Hydrographer	716,335	Not filling vacant positions will result in: <ul style="list-style-type: none"> • Reduced ability to protect senior water rights, instream water rights, and instream flows • Increased conflict between water users • Fewer inspections in the Dam Safety Program resulting in higher public safety risk • Fewer wells constructed according to standards, causing public health risks from groundwater contamination • Increased backlogs and slower response times, reducing the speed of economic recovery and development • Less access by the general public, customers, and stakeholders to information and technical assistance • Less ability for the public to access water for economic development • Not filling Watermaster position in Klamath Falls - Resolution of water conflicts in this area will be slowed significantly
Total	965,740	

UPDATED OTHER FUNDS AND LOTTERY FUNDS ENDING BALANCES FOR THE 2009-11 BIENNIUM

Agency: Water Resources Department
 Contact Person: Tracy Loudon, 503-986-0920

(c) ¹	(d)	(e)	(f)			(g)	(h) ²	(i)
			2009-11 Ending Balance					
Treasury Fund #/Name	Category/Description	Constitutional and/or Statutory reference	In LAB	Reported in Feb	Revised			Comments
1 690000463: Water Dev Admin & Bond Sinking Fund	Loan Program	Article XI-I(1) ORS 541.750	1,363,632	177,508	222,508			No significant change from the Feb 2010 report
2 690000536: Water Resources Department Operating Fund (Start Card Fund)	Operations	ORS 537.763	70,848	-	176,837			Increase in projected ending balance is due to management action to reduce expenditures and increase the operating reserve to a 3 month level of \$216,155. The projected ending balance is insufficient and the Department continues to explore reduction options.
3 690000607: Water Resources Dept Hydroelectric Fund	Operations	ORS 536.015	49,995	59,144	107,295			The ending balance has increased by \$48,151 from the Feb 2010 projection due to efforts to reduce expenditures and increase the ending balance to a 3 month operating reserve of \$278,619. The projected ending balance is insufficient and the Department continues to explore reduction options.
4 690000975: Water Measurement Cost Share Fund	Operations	ORS 536.021	-	-	-			n/a
5 6900001277: Water Conservation Reuse Storage Invest (SB 1069)	Grant Fund	SB 1069, 2008 Session	-	-	-			n/a
6 6900001083: Water Right Operating Fund	Operations	ORS 536.009 ORS 536.050 ORS 537.747	2,123,992	1,168,817	1,250,072			The ending balance has increased by \$81,244 from the Feb 2010 projection due to reduced expenditures. The ending balance is composed of a 2 month operating reserve of \$582,670 and \$667,402 in prepaid revenues for services not yet delivered and therefore subject to refund. The projected ending balance is insufficient and the Department continues to explore reduction options.
7 6900001318: Geotechnical Fund	Operations	HB 2232	-	-	4,870			The ending balance has increased by \$4,870 from the Feb 2010 projection due to efforts to reduce expenditures and increase the ending balance to a 3 month operating reserve of \$16,875. The projected ending balance is insufficient and the Department continues to explore reduction options.
8 690001325: Water Supply Fund	Grant Fund	SB 5535	-	-	-			
			3,608,467	1,405,469	1,761,582			

Agency Request Budget Packages 2011-13

Pkg #	Description	Funding	Est. Amt.	FTE
101	Continue Integrated Water Resources Strategy - 2 Natural Resource Specialist 3 (Limited Duration)	Lottery Bonds – Other Funds Lottery Funds – Debt Service	\$307,572 \$64,603	2.0
102	Reinstate Water Use Reporting - 1 Natural Resource Specialist 3 (Permanent)	General Fund	\$176,898	1.0
103	Reinstate Water Measurement - 1 Hydrographer Natural Resource Specialist 2 (Permanent) - 1 Natural Resource Specialist 1 (Permanent)	General Fund	\$310,499	2.0
104	Reinstate Oregon Plan Activities - 2 Natural Resource Specialist 2 (Permanent)(Pendleton, Grants Pass)	General Fund	\$322,850	2.0
105	Reinstate Info Tech Application Developer - 1 Information Systems Specialist 7 (Permanent)	General Fund	\$189,562	1.0
106	Make Permanent an Existing Asst. Watermaster in South Central Region - 1 Natural Resource Specialist 2 (Step 2, Limited Duration)	Other Funds	\$154,325	1.0
107	Make Permanent an Existing Hydrotech in Eastern Region - 1 Natural Resource Specialist 1 (Step 2, Limited Duration)	Federal Funds	\$122,030	1.0
108	Klamath Basin Restoration Agreement Fund - 1 Part time staff to administer agreement	Lottery Bonds – Other Funds Lottery Funds – Debt Service	\$3,483,521 \$689,594	-
109	Continue Water Development Loan Program Funding - 1 Loan Specialist 3 (funding, no position created)	General Obligation Bonds / Other Funds Reduced Admin Serv Costs	\$17,130,201 (\$169,418)	-
110	Continue Water Conservation, Reuse, and Storage Feasibility Grants - 1 Natural Resource Specialist 4 (Step 2, Limited Duration, Half Time)	Lottery Bonds – Other Funds Lottery Funds – Debt Service	\$1,229,052 \$235,489	.50
111	Fund Water Investment Grant Fund - 1 Natural Resource Specialist 3 (LD)	Lottery Bonds – Other Funds Lottery Funds – Debt Service	\$21,493,303 \$3,841,080	1.0
			\$49,581,161	

