

MEMORANDUM

TO: Water Resources Commission

FROM: Bruce Moyer, Administrator
Adam Sussman, Senior Policy Coordinator

SUBJECT: Agenda Item D, August 9, 2002
2003-05 Budget and Legislative Concept Development Follow-up

I. Issue Statement

This report updates the Commission on budget and legislative concept development for the 2003 Legislative Session. *This is an informational report only; no Commission action is required.*

II. Background/Discussion

Staff provided the Commission with briefings on the process, schedule and status of budget and legislative concept development at its April 11, 2002, meeting and in the June 7, 2002, Director's report. This report summarizes the current Agency Requested Budget and legislative concepts.

The revenue shortfalls of the current biennium have created a challenging environment for preparing the Department's 2003-05 budget and legislative concepts. The inflationary cost of current service level programs, continuation of the economic recession, and the uncertainty associated with potential future Special Sessions and additional budget reductions create a difficult environment in which to develop new program initiatives. Given these circumstances, the Department has streamlined its Agency Requested Budget and legislative concepts for the 2003 Legislative Session.

A. Agency Requested Budget

As currently projected, the 2003 Legislature will be faced with a revenue shortfall of about \$1.4 billion to fund state services. Given this predicted shortfall, the Agency Requested Budget submitted to the Governor is a significantly streamlined version of the conceptual draft that had been shared with the Commission at previous meetings. The streamlined Agency Requested Budget seeks to maintain current service level resources, re-authorize General Fund and expand federal fund resources for the Klamath Basin General Adjudication, and address the significant water right transfer backlog. Attachments 1 and 2 provide an overview of the streamlined Agency Requested Budget. Attachment 3 is a graphical depiction of the proposed budget.

The Department's fee adjustment bill described below will be the major focus of our legislative effort. The proposed fee increases will generate revenues that would allow the Department to fund current level services for several years into the future, reduce reliance on General Fund revenues, and fund additional staff to address workload and backlog problems in several critical program areas.

B. Legislative Concepts

Similar to the revised budget approach, the Department's legislative concepts have been scaled back from that previously shared with the Commission. The Department has withdrawn from consideration five of the seven preliminary concepts. The Department is continuing to proceed with legislative concept 01, fee adjustments, and legislative concept 05, adjustments to bond levels required for well constructors and landowners constructing their own wells.

Many of the Department's fees have not kept pace with inflation and/or have not been adjusted for several years. Legislative concept 01 (Attachment 5) proposes fee increases for many water right related transactions including water right transfers, water right permits, applications for small ponds, limited licenses, water right permit extensions, and protests. The concept would also propose to capture fees from instream leases, an activity currently exempt from fees and to adjust the well construction start card fee. Attachment 6 is the Department's schedule of fees (excluding fees for hydroelectric activities) and proposed adjustments.

Legislative concept 05 proposes to change the level of the bond required for licensed well constructors (from \$4,000 to \$10,000) and landowners constructing their own wells (from \$2,000 to \$5,000) under landowner well construction permits from the Department. The purpose of the concept is to more accurately reflect the costs involved in the repair and abandonment of wells.

Legislative concepts no longer being pursued by the Department include: 02 - water right forfeiture and cancellation; 03 - place-holder for Task Force on Water Supply and Conservation (concepts developed by this group will be introduced by Legislators on the Task Force); 04 - repeal of ORS Chapter 555 Carey Act provisions; 06 - water right transfer process; and 07 - place-holder for Senate Bill 710 Work Group.

III. Recommendation

No action by the Commission is required. Staff welcome Commission input on the current direction of the Department.

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Attachments:

1. Summary of 2003-05 Agency Requested Budget
2. 2003-05 Agency Requested Budget - Policy Packages
3. Graphical Information Describing Make-up of Proposed Budget
4. Key Dates for Legislative Concept Development
5. Legislative Concept 01- Fee Adjustments
6. Department Fee Schedule and Proposed Fee Adjustments