



# Oregon

John A. Kitzhaber, MD, Governor

## Water Resources Department

North Mall Office Building  
725 Summer Street NE, Suite A  
Salem, OR 97301-1271  
503-986-0900  
FAX 503-986-0904

### MEMORANDUM

TO: Water Resources Commission

FROM: Tracy Louden, Administrative Services Administrator

SUBJECT: Agenda Item I, February 18, 2011  
Water Resources Commission Meeting

#### **Budget Update: 2011-13 Governor's Balanced Budget**

#### **I. Issue Statement**

The Department submitted a 2011-13 Agency Request Budget in July 2010 for consideration of the Governor, who in turn has crafted a budget for consideration of the Legislature. Following the Agency Request Budget submittal, there were consecutive revenue forecasts that projected decreasing General Fund revenue on a statewide basis forcing the Governor to balance the 2011-13 biennium budget with reductions to current service level. The proposed budget that has been released by Governor Kitzhaber includes reductions to the Water Resource Department's budget as detailed below.

#### **II. Background and Discussion**

The December 2010 revenue forecast for the 2011-13 biennium projected a \$3.5 billion shortfall in General Fund, representing an 18% reduction for all state agencies if it were to be prorated across the board.

Governor Kitzhaber established a budget target for Natural Resource agencies and asked the agency directors to assemble and craft a budget for the individual agencies that added up to the target that he had set. The directors developed such a budget during the latter half of December 2010 and presented it to Governor Kitzhaber. The result is a proposed budget for Water Resources that represents a reduction of 8% from the level necessary to carry on current biennium services.

The proposed 2011-13 budget for the Water Resources Department, as recommended by Governor Kitzhaber, will experience the following General Fund reductions:

Item	Amount	Impact
1) Commission travel and postage	\$8,500	<ul style="list-style-type: none"> <li>• Reductions in expenditures during 2009-11 for Commission travel and Departmental postage are expected to carry over into 2011-13.</li> </ul>
2) Groundwater Studies	\$75,000	<ul style="list-style-type: none"> <li>• Eliminates funding for scientific evaluation of groundwater resources, including availability, location and condition.</li> <li>• 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.</li> <li>• Reduced from \$125,000 to \$75,000 in 2009.</li> </ul>
3) Water Availability Modeler	\$161,874	<ul style="list-style-type: none"> <li>• This will eliminate the Department's only water availability modeler, who provides the scientific data needed to determine whether water is available when water right applications are evaluated. Provides protection for existing water rights including instream rights.</li> </ul>
4) Groundwater Hydrogeologist	\$168,350	<ul style="list-style-type: none"> <li>• A dedicated staff person in the Southwest Region will not be available to analyze the status of groundwater resources for management, availability and permitting purposes. Decisions on management and permitting will be delayed.</li> </ul>
5) Information System Manager	\$241,408	<ul style="list-style-type: none"> <li>• This will eliminate the data systems and database administrator.</li> <li>• Availability of data sets to the decision makers and the public will be reduced. Economic activity will slow.</li> </ul>
6) Contracts/Procurement staff	\$138,685	<ul style="list-style-type: none"> <li>• Elimination of this position jeopardizes the Department's ability to correctly interpret and follow administrative rules relating to contracts.</li> <li>• The efficiency and timeliness of purchasing, facilities, and contractual support will be negatively affected.</li> </ul>
<b>Total General Fund Reductions</b>	<b>\$793,817</b>	

Additional notes:

- The Department was able to retain two Oregon Plan for Salmon and Watershed positions through use of federal Pacific Coast Salmon Recovery Funds made available through the Oregon Watershed Enhancement Board (OWEB).
- **Package #101** - The Governor has supported the continuation of the Integrated Water Resources Strategy during 2011-13 and has included General Fund in the Department's budget to support two staff in those core activities.
- **Package #108** - This policy option package corresponds to SB 168 (2011), which requests \$3.5 million in lottery revenue bonds to, in part, offset economic losses resulting from the KBRA, including: lost property tax payments upon retirement of

four hydroelectric dams and reductions in property values, business opportunities, and agricultural water rights and water deliveries.

- **Package #109** - This package authorizes the Department to receive \$15 million in general obligation bonds to provide loans for the construction of water development projects in the Columbia River Basin by water developers that are not municipalities or municipal water providers.
- **Package #110** - The Governor’s Balanced Budget includes \$1.2 million in lottery revenue-backed bonds for feasibility study grants. This builds on the successes of SB 1069 (2008), which provided about \$2 million to more than 20 Oregon communities to evaluate the feasibility of water development projects.

Funding Source	2009-11 Legislatively Adopted Budget	2011-13 Current Service Level Budget	2011-13 Governor’s Balanced Budget
General Fund	21,035,526	23,239,705	21,170,643
Lottery Fund (Debt Service)	354,911	574,400	574,400
Other Funds	13,574,310	10,675,966	33,210,177
Federal Funds	1,197,639	1,105,974	1,195,501
Total Funds	36,162,386	35,595,865	56,150,721
Positions	148	143	143
FTE	146.29	142.09	142.59

### III. Conclusion

No formal Commission action is necessary. The Department will provide additional budgetary updates as information becomes available.

Tracy Loudon  
(503) 986-0920