



Oregon


Kate Brown, Governor

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MEMORANDUM

TO: Water Resources Commission

FROM: Tracy Loudon, Administrator 

SUBJECT: Agenda Item I, June 19, 2015
Water Resources Commission Meeting

Budget Update

I. Issue Statement and Background

The Governor's Recommended Budget (GRB) included a number of new investments in the Water Resources Department's activities and grant and loan programs. During this agenda item, staff will provide an overview of ongoing legislative activities related to the Legislature's consideration of the Department's proposed budget.

II. Discussion – Department's Budget Bill

The Department presented an overview of the 2015-17 GRB to the Joint Ways and Means' Subcommittee on Natural Resources on April 6-9, 2015. Committee members asked thoughtful questions and many stakeholders appeared the last day of the hearing to speak in favor of the Department and implementation of the Integrated Water Resources Strategy (IWRS).

The Department provided additional testimony to the Subcommittee on its budget packages on May 5, 2015.

The Ways and Means Subcommittee on Natural Resources held a work session on the Department's budget on June 1, 2015 (House Bill 5042). The Subcommittee unanimously voted to support and forward to the full Ways and Means Committee the LFO Analyst Recommended budget for the Department which proposes to add 7 positions (7.75 FTE). The bonding recommended in the Governor's budget is in a separate subcommittee (House Bills 5005 and 5030) and is not included in the Department's budget bill.

The table below shows the changes from the GRB and the LFO Analyst Recommended Budget as passed out of the subcommittee during the work session. It also shows the pending bonding request. As noted below, some of the positions are contingent upon the Department receiving the associated bonding authority.

	Gov's Budget		LFO Budget Work Session		Pending Grant/Loan Bonding*
	FTE	\$	FTE	\$	\$
101-Klamath Transactions and Water Right Backlog Reduction	2	427,000	1	164,000	
103-Groundwater - Data Management	-	-	1	215,000	
104-Data and Water Management in the Klamath Basin	1	192,000	1	192,000	
105-Place-Based IWRS Planning (used to be Regional Solutions Community Liaison)	1	207,000	1	207,000	
106-Funding Feasibility Studies - SB 1069	.75	2,300,000	.75**	139,000	2,000,000
110-Monitoring Coordinator for Efficient Data Sharing and Management	1	211,000	-	-	
113-Funding Water Supply Projects	1	18,700,000	-	-	17,250,000
115-Integrated Water Resources Supply Development	6	2,000,000	3**	615,000	750,000
120-Facilitating Water Development Loans	-	31,800,000	-	-	30,000,000
Totals	12.75	55,837,000	7.75	1,532,000	50,000,000

*The legislature is considering holding all bond issuances until the spring of 2017, thereby reducing debt service during the 2015-17 biennium for those bonds to zero.

** Position authority in Package 106 is tied to Bonding authorization. One position in Package 115 may be used for grant management activities if bonding is approved.

III. Discussion – Bonding Bills

The GRB proposes a suite of packages through a combination of lottery and dedicated general obligation bonding to provide grant and loan funds to help meet Oregonians' water needs, supporting all three stages of an Integrated Water Resources Development Program that includes place-based planning, feasibility analysis, and project development. The bills which provide bonding authority (HB 5005 and HB 5030) are typically passed out near the end of the legislative session.

Place-based planning will empower communities and stakeholders to work collaboratively in partnership with the state to understand their water resources needs and identify how they will meet those water needs. *Project feasibility* moves solutions from the conceptual stage to evaluate the viability of specific proposals. *Project finance and implementation* will allow the state to partner with local interests and others to carry out projects that meet instream and out-of-stream needs.

Lottery Funds – Water Supply Fund – The Water Supply Fund has been used in the past by the Legislature to provide funding for the Department to perform specific activities. The GRB proposal includes two components:

Place-based planning is a collaborative approach to planning that helps communities to understand their water resources needs and identify how they will meet those water needs. This request includes \$750,000 in lottery bonds for grants to help communities voluntarily develop place-based integrated water resources plans. *SB 266A* would provide the Department with authority to issue the grants. (Pkg #115)

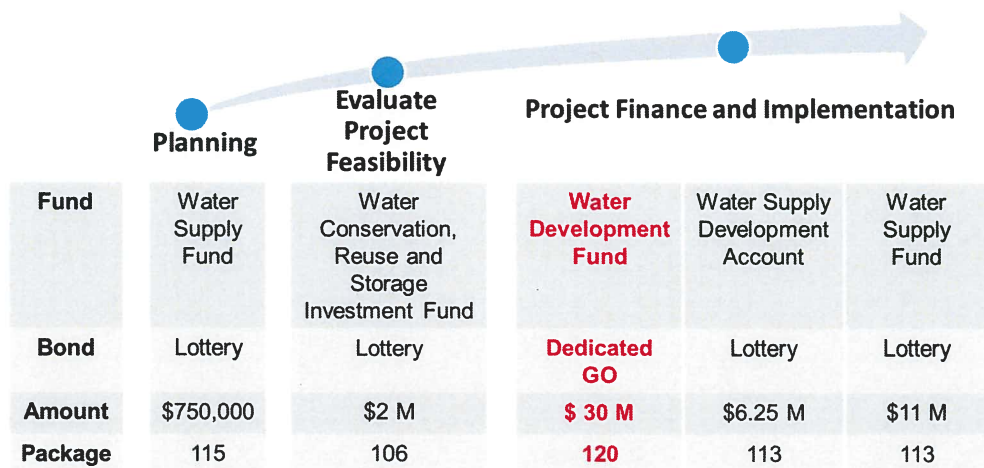
Grant for water supply development project - The GRB places \$11 million into the Water Supply Fund to provide a grant for a water supply project in the Umatilla Basin. (Part of the \$17.25 million in Pkg #113)

Lottery Bonds – Water Conservation, Reuse, and Storage Grant Fund – Project feasibility grants help project developers evaluate the viability of water resources project proposals. Package #106 would add an additional \$2 million in lottery bonds for SB 1069 (2008) feasibility study grants to evaluate potential water conservation, reuse and storage projects.

Lottery Bonds – Water Supply Development Account – Package #113 also recapitalizes the Water Supply Development Account with \$6.25 million to allow the state to provide grants and loans to support water resources projects that have economic, environmental and social benefits.

General Obligation Bonds – Water Development Fund – Oregon Water Resources Department Package #120 recapitalizes the Water Development Loan Fund using \$30 million in dedicated general obligation bonds for the purposes of financing water projects.

The Water Development Fund was established in 1977 authorizing loans for water development projects for irrigation, drainage, fish protection, watershed restoration and municipal uses. Although this program has been dormant in recent years, authority and direction for the program remains in Article XI-I of the Oregon Constitution and ORS 541.700-ORS 541.855. One advantage of the fund is that debt would be repaid by loan repayment, and, therefore, the loan fund is self-supporting with borrowers paying the costs of the loan. In addition, funds are only issued after project(s) are identified and an agreement is signed for repayment by the borrower(s); therefore, debt would not be incurred unless the Department had identified a borrower that satisfies the Department's requirements.



At least a portion of this fund is intended to provide support for infrastructure related to a proposal led by the Northeast Oregon Water Users Association that would provide irrigation water to farmland in the Umatilla Basin.

IV. Discussion – Revenue Forecast

The most recent revenue forecast was published on May 14, 2015. The General Fund revenue picture has not changed significantly during the Legislative session. The current projection is that there will be \$300 million unspent this biennium and carried into next. New revenue is projected at \$17.8 billion, providing for a total General Fund expenditure limit of \$18.1 billion. This revenue is insufficient to meet the requests for funding that have been presented to the Legislature; therefore, only priority packages are likely to be funded.

V. Conclusion

The Governor's Recommended Budget (GRB) included investments in water that will grow our economy and lift up rural Oregon to create healthy ecosystems and communities, while furthering implementation of the state's 2012 Integrated Water Resources Strategy (IWRs). The largest investments are to aid in the development of water resources statewide to meet instream and out-of-stream needs as part of an Integrated Water Resources Development Program. The LFO Analyst Recommended Budget adopted by the Joint Ways and Means Subcommittee provides resources to aid in implementation of the Integrated Water Resources Development Program, while also providing resources to support the Department's core functions. As of this writing, the Department's budget is awaiting approval by the full Joint Ways and Means Committee and the bonding packages are still in the Subcommittee on Capital Construction.

Additional information on advancing the Department's 2015-17 Budget will be presented at the Commission meeting.

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