



Oregon


Kate Brown, Governor

Water Resources Department

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MEMORANDUM

TO: Water Resources Commission

FROM: Tracy Louden, Administrator 

SUBJECT: Agenda Item H, September 11, 2015
Water Resources Commission Meeting

Budget Update

I. Introduction

The 2015-2017 Legislatively Adopted Budget (LAB) for the Water Resources Department continues funding of services provided in 2013-15, while making additional investments to advance key components of the Integrated Water Resources Strategy (IWRS). This report provides an overview of the funding the Department received for the 2015-17 biennium.

II. Discussion

The Legislature passed four bills that provided funding to the Department for the 2015-17 biennium:

- HB 5042 – *Department Budget*
- HB 5030 – *Lottery Bonds Issuance*
- HB 5005 – *General Obligation Bonds*
- HB 5507 – *Budget Reconciliation, Expenditure Limitations for Lottery Bonds*

- Funding provided to continue past authorizations

New investments made by the Legislature in 2013-15, were continued as part of the Department's 2015-2017 "base budget":

1) Measurement Cost-Share Fund	\$100,000
2) SB 1069 Feasibility Studies	\$750,000
3) Gaging Stations	\$240,000
4) Monitoring Wells	\$360,750
5) Groundwater Tools/Scientific Measuring Devices	\$95,000
6) Groundwater Studies	\$375,000
7) SB 839 Carryforward limitation unspent in 2013-15	\$9,476,515

- New investments in the Integrated Water Resources Strategy (IWRS)
 The Department's total budget for 2015-17 reflects new investments in a number of areas addressed by the IWRS: water right processing backlog reduction, expanded grant and loan opportunities, water management and monitoring in the Klamath Basin, groundwater data development, and the Water Resources Development Program.

Investments that are not directly tied to the Water Resources Development Program are shown in the table below.

Description	Staff/Supplies/ Other
Pkg #101 – Water Right Special Projects	\$164,133
Pkg #103 – Groundwater Data Management	\$215,260
Pkg #104 – Data and Water Management in the Klamath Basin	\$191,822

The following packages are directly related to the Water Resources Development Program, which includes place-based planning, feasibility grants, project implementation loans and grants, and technical assistance. Detailed information on the various components of the Water Resources Development Program is provided in Agenda Item B. A summary of funding is provided in the table below.

Note: Bonds to fund the grant and loan programs below will not be sold until spring of 2017, except for the Water Development Loan Fund. "Other" includes cost of issuance and debt service for bonds. * denotes staff/supplies.

Description	Staff/Supplies* Other	Grant/ Loans
Feasibility Studies (<i>Pkg #106 and HB 5507</i>)		
Grant Administration - .75 FTE limited duration	\$139,318*	
Grants	\$47,477	\$2,000,000
Place Based Planning (<i>Pkg #105, #115, and HB 5507</i>)		
Staff - one limited duration, one permanent.	\$400,750*	
Grants	\$16,496	\$750,000
Project Development (<i>Pkg#115 and HB 5507</i>)		
Water Supply Engineer and Grant/Loan Staff	\$421,363*	
Water Supply Development Grants/Loans (SB 839)	\$112,979	\$6,250,000
Facilitating water supply projects in the Umatilla Basin.	\$241,942	\$11,000,000
Mosier Creek area well remediation.	\$21,995	\$1,000,000
Recapitalization of the Water Development Loan Fund if applications are funded.	\$1,721,865	\$30,000,000

Attachment 1 to this staff report provides excerpts from the budget report for HB 5042 further discussing the legislature's approval of budget packages.

In summary, total additional funds added to the Department's budget were \$51 million for grants/loans, \$1.4 million in personnel and supply costs for 7.75 additional staff, and \$1 million in bond issuance costs.

With adjustments for changes in interagency charges, the total budget of the Water Resources Department is now \$107.4 million and 162.58 FTE.

	FTE	Operational	Grants and Loans	Total
Base Budget*	154.83	\$43,543,087	\$10,250,231**	\$53,793,318
2015-17 Additional	7.75	\$2,589,128	\$51,000,000	\$53,589,128
Total 2015-17 Budget	162.58	\$46,132,215	\$61,250,231	\$107,382,446

*Includes Current Service Level calculations

**\$773,716 Feasibility Studies and \$9,476,515 SB 839 Grants/Loans

III. Conclusion

The 2015 Oregon Legislature continued investments in the Department's core programs and data needs, while also demonstrating an understanding of the need to invest in addressing our water resources challenges through investments in the Water Resources Development Program. The Department has now turned its attention to implementation. Further reports on actions taken and tasks completed will be reported at future commission meetings.

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Attachment 1: Excerpts from HB 5042 Budget Report

The Subcommittee recommended Package 101: Klamath Transaction and Water Right Backlog Reduction. This package provides \$164,133 General Fund for one additional limited duration Natural Resource Specialist position (1.00 FTE) to reduce water right backlog issues and enhance service to customers in the Klamath Basin. The position is responsible for reviewing claims of beneficial use and issuing certificates, as well as responding to unanticipated water rights related processing needs.

The Subcommittee recommended Package 103: Groundwater – Data Management. This package adds \$107,629 General Fund, \$107,631 Other Funds (Water Rights Operating Fund) and includes one permanent Natural Resource Specialist 5 position (1.00 FTE) who will serve as the Chief Groundwater Technology Scientist. The new position will be responsible for establishing procedures and methods to capture and process data using rigorous scientific standards, including a major overhaul of data organization and formatting, and will serve as the liaison between the Groundwater Section and other sections within the Department that collect and archive groundwater-related data, and other state and federal agencies. The position will evaluate groundwater data sets and create more efficient processes for capturing, formatting, sharing, analyzing and archiving data.

The Subcommittee recommended Package 104: Klamath Basin Hydrotech to Assist with Water Management. This package adds \$191,822 in General Fund and one permanent Natural Resource Specialist 2 position (1.00 FTE) to manage the twelve existing stream gages and an additional thirteen to fifteen gages required for the management of senior water rights in the Klamath Basin. The increase in monitoring is a result of the 2013 completion of the administrative phase of the Adjudication. Many additional water rights have been recognized as senior and enforceable, which means that water users in the basin who have not been regulated in the past may be subject to water use restrictions. Water users watch stream flows closely, and rely on the Department's information in order to manage their water more efficiently. Collecting streamflow and groundwater data to support water management decisions is anticipated to lessen conflict and legal challenges.

The Subcommittee recommended Package 106: SB 1069 Grant Program Enhancement. This package expands the administrative capacity of the Water Conservation, Reuse and Storage Grant program that was established in 2008 by Senate Bill 1069. It appropriates \$139,318 General Fund and provides for a limited duration increase in the number of months for an existing position of 0.75 FTE. The grant funding within this program is primarily for feasibility studies, but under some circumstances direct costs of projects can be funded. Grants under the program are capped at a maximum of \$500,000 and must be matched by the grant recipient on a dollar-for-dollar basis. The program has base budget grant funding of \$750,000 General Fund. Grant program administration in the base budget includes a single position comprising 0.25 FTE. The Department requested one-time additional funding of \$750,000 using lottery bond proceeds. That funding and the additional Other Funds expenditure limitation required will be contemplated in a separate bill.

To accommodate the additional funding available should lottery bond proceeds be made available for this purpose, the Department requested that the position used for grant administration be increased from 0.25 FTE to 1.00 FTE using General Fund. This package provides the funding for and extends the existing position from 0.25 FTE to 1.00 FTE during the 2015-17 biennium only. It

is the intention of the Legislature however, that the additional General Fund appropriation and position authority created by this package be removed by subsequent legislation should the additional bond funding not be made available to the agency for this purpose.

The Subcommittee recommended Package 105: Place-Based IWRS Planning. This package provides \$206,664 General Fund for one limited duration position (1.00 FTE) for the initial implementation and pilot of place-based integrated water resources strategies. The developed strategies will serve as a blueprint for meeting both instream and out-of-stream needs, taking into account water quantity, water quality, and ecosystems. Meeting water needs should be considered within the context of specific watersheds, accounting for the hydrological, geological, biological, climatic, socio-economic, cultural, legal and political conditions of a community.

During the 2015-17 biennium, the Department plans to partner with up to three communities to test the guidelines and further develop a place-based, integrated water resources strategy. Feedback from these pilots will allow the state to adjust and improve its place-based guidelines for communities to use in the future.

Senate Bill 266, companion legislation to this package, creates a grant program in the agency for the issuance of place-based integrated water resource strategy development, but does not establish funding. The agency has requested \$750,000 in lottery bond proceeds for this purpose in a separate bill. It is the intention of the Legislature that the additional General Fund appropriation and position authority established by Package 105 be removed by subsequent legislation should the additional bond funding not be made available to the agency for this purpose

The Subcommittee recommended Package 115: Integrated Water Resources Supply Development. This package is a substantial new investment to implement the Integrated Water Resources Supply Development strategy. The package appropriates \$615,399 General Fund and establishes three permanent positions (3.00 FTE) including a water supply engineer and two planning coordinators (Natural Resource Specialist 4). Should additional funding be made available for agency grant programs, it is acknowledged that the agency will have the flexibility to use one of the planning coordinator positions for grant management activities.

Funding programs are available to support water resource development projects. Project proponents can apply for funding through the agency's Water Conservation and Reuse Grant Program to help evaluate the feasibility and viability of the project. Once the project has been reviewed, funding for developing and implementing the project is available through the Water Supply Development grant and loan program established in 2013. This package provides staff for outreach and consulting with individuals and local governments as well as coordinating financing opportunities. The package allows the Water Resource Department to provide technical, permitting and engineering expertise to actively assist individuals, farmers, cities, counties, tribes, nongovernmental entities, and communities in developing water resources projects.