



Oregon

Kate Brown, Governor

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MEMORANDUM

TO: Water Resources Commission

FROM: Lisa J. Snyder, Interim Administrative Services Division Administrator *LS*
Racquel Rancier, Senior Policy Coordinator *RR*

SUBJECT: Agenda Item K, January 27, 2017
Water Resources Commission Meeting

Budget Update

I. Issue Statement and Background

The Department submitted its 2017-19 Agency Request Budget in July 2016. This proposal included requests for fifteen budget packages totaling \$46.1 million. Subsequently, the Governor published her recommended budget, which includes ten budget packages totaling \$37.4 million. Staff will provide an overview of the Governor’s Recommended Budget (GRB).

II. Discussion

As shown in the table, the Department’s current service level (CSL) budget for 2017-19 totals \$81.5 million, composed of \$32.9 million General Fund, \$6 million Lottery Funds for Debt Service, \$41.2 million Other Funds, and \$1.3 million Federal Funds. The GRB adds and subtracts funding from the Department’s CSL.

WRD 2017-2019 Budget

<i>(In Millions of dollars)</i>	2017-19 CSL	2017-19 GRB
General Fund	32.9	33.5
Lottery Funds	6.0	8.9
Other Funds	38.7	71.8
Other Funds Debt Service	2.5	2.5
Federal Funds	1.3	1.9
TOTAL	81.5	118.6

The GRB includes potential CSL general fund reductions of over \$2.3 million. These reductions include over \$307,000 in Services & Supplies reductions, four administrative support positions, one Adjudications/Water Right Extension processor position and reductions to Feasibility Study Grants, Water Measurement Cost Share Funds, as well as to funds for observation wells, gaging stations, and groundwater studies.

The GRB also includes \$37.4 million in additional resources to implement the Integrated Water Resources Strategy by investing in water management, groundwater and surface water data, dam safety, and water conservation, as well as providing \$32 million in new funding for grant and loan programs to meet our current and future water needs. Funding for Water Projects Grants and Loans and Feasibility Studies, are reflected in the table above as “Other Funds” and consist of Lottery Bond proceeds, including carryover funding from previous biennia. Attachment 1 provides more details on the GRB for the Department.



III. Conclusion

The Governor's Recommended Budget includes investments in water that will further implementation of the state's 2012 Integrated Water Resources Strategy and help the state understand and meet water needs now and into the future. The GRB will now be considered by the Joint Committee on Ways and Means, as well as its subcommittees. Ultimately, the final budget for the Department is set and approved by the Oregon Legislature.

Attachment:

- 1. 2017-2019 Governor's Recommended Budget Summary

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Category	2017	2018	2019
Operating Expenses	1.2	1.2	1.2
Capital Expenses	0.1	0.1	0.1
Grants	0.5	0.5	0.5
Other Revenue	0.2	0.2	0.2
Other Funds	0.1	0.1	0.1
TOTAL	2.1	2.1	2.1

Oregon Water Resources Department

2017-19 Governor's Recommended Budget



The Governor's Recommended Budget furthers implementation of recommended actions in the 2012 Integrated Water Resources Strategy (IWRS) and includes proposals for investments in water that protect public safety and water supplies, help meet current and future water needs, and support water resources management and permitting decisions.

	2013-15 Legislatively Adopted Budget	2015- 17 Legislatively Adopted Budget	2015-17 Legislatively Approved Budget (Feb Session)	2017-19 Governor's Budget
General Fund	\$ 26,504,946	\$ 29,622,753	\$ 31,185,564	\$33,492,069
Other Funds (Including Fees)	10,626,121	13,469,293	13,777,317	16,221,553
Other Funds (Grants and Loans)	23,920,890	60,476,515	60,476,515	58,050,000*
Lottery Funds	574,025	2,511,482	2,511,482	8,941,302
Federal Funds	1,272,735	1,302,403	1,312,338	1,871,695
Total Funds	\$ 62,898,717	\$ 107,382,446	\$ 109,263,216	\$118,576,619
Full-Time Equivalent (FTE)	154.80	162.58	163.25	171.72

*Includes \$26 million carried over from 2015-2017, which is mostly committed but has not been expended. \$32 million in new bonding authority.

Protecting Public Safety and Water Supplies

Package 102 – Protecting the Public and Water Supplies through Dam Safety Inspections (\$123k OF & 123k FF; 1 FTE)

Protects public safety and water storage capacity of dams through the addition of 1 dam safety engineer funded by federal (FF) and other funds (OF) to conduct dam inspections, assess dams' ability to pass flood flows, and review hazard ratings. *IWRS Recommended Action 7a*

Package 103 – Protecting Groundwater Resources through Well Construction (\$40k OF expenditure limitation; Fee revenue \$88k OF)

Reclassifies six well inspectors (\$40k total) to recruit and retain individuals with skills necessary to perform the duties of the position and protect water users and groundwater. Increases Other Funds limitation to account for proposed increases in Landowner Permit Application Fees and proposed Well Construction Special Standard Fee to support the Well Construction Program. *IWRS Recommended Action 12a*

Helping Meet Current and Future Water Needs

Package 104 – Helping Communities Plan for Water Needs through Place-Based Planning and Feasibility Studies (\$204k GF, 1 FTE)

Package proposes to add one place-based planning and grants coordinator to allow the state to continue to work with communities piloting place-based planning to identify solutions to meet their instream and out-of-stream water resources needs, as well as to administer and evaluate feasibility study grants. Department had .75 FTE grants coordinator and 1 FTE place-based planning coordinator limited duration positions in 2015-17 biennium. *IWRS Actions # 9a, 13a*

Package 109 – Grants to Evaluate the Feasibility of Potential Water Projects (\$2.0 million LB, \$52k cost of issuance)

Helps meet Oregon's water needs by providing \$2 million in Lottery Bonds for grants to assess the feasibility of developing water conservation, reuse or storage projects (SB 1069). *IWRS Recommended Action #13c*

Package 110 – Grants and Loans to Implement Water Projects (\$30 million Lottery Bonds, \$2.95 million cost of issuance and debt service)

Helps meet Oregon's current and future water needs by recapitalizing the Water Supply Development Account (SB 839 - 2013) to provide grants and loans to develop water resources projects that have economic, environmental and community benefits. To date, demand has exceeded available funding. *IWRS Recommended Action #10a, 10b, 10c, 10e, 11b*

For additional information contact: Racquel.R.Rancier@oregon.gov; 503-302-9235.

Supporting Water Resources Management and Permitting Decisions

Package 100 – Sustaining Current Service Levels: Water Rights Transactions and Dam Safety Fee Schedule Increase and Add-Back Package (Fee revenue \$838k; Adds back 2.5 FTE)

Last modified in 2013, the Department's existing water right transactions and dam safety fee schedule sunsets June 30, 2017 and reverts to 2009 levels. A roll-back to 2009 levels would decrease fee revenue by \$366k at the same time that costs increase by \$500k resulting in a gap in funding of \$838k, resulting in the need to decrease staff by 2.5 in 2017-19 (Pkg 070) and an additional 3.0 FTE in the 2019-21. This package would increase the current fee schedule by 15.88% to maintain the current level of services through 2021, based on projected costs supplied by the Department of Administrative Services. *IWRS Recommended Action #13b*

Package 101 – Understanding our Water Resources: Basin Study Team (\$1.8 million GF, 4.40 FTE)

Data is essential for long-term management of groundwater. Provides resources (\$300k groundwater studies, \$100k geologic mapping, \$500k observation wells, and 5 staff) to conduct basin studies, while also addressing data backlogs in the groundwater and surface water sections and allowing applications to be processed more timely. *IWRS Recommended Actions #1a, 1b*

Package 105 – Enhanced Water Management in the Field (\$1 million GF, 4.40 FTE)

Adds three assistant regional watermasters and one Northwest Region hydrotech to help manage and distribute water, and improve data collection. Reclassifies five hydrotechs to align the positions with the required duties; the alternative for the Department is to remove duties and responsibilities from these positions, reducing efficiency in data collection and processing. Adds one field conservation coordinator to conduct public outreach, promote water conservation, increase understanding of Oregon water law's among the public and all water users, and work with small communities. Adds \$125k for costs of litigation. *IWRS Recommended Actions #1b, 13b*

Package 106 – Payroll Shared Services (\$67k OF)

Authorizes Department to accept funding from Department of State Lands for payroll shared services, allowing the agencies to efficiently share payroll staff, broaden the knowledge base, establish best practices, and provide backup for staff on leave.

Package 107 – Umatilla Field Presence (\$434k OF and \$434k FF, 5.0 FTE)

Adds three positions funded by Umatilla County (two assistant watermasters, one administrative assistant) and two assistant watermaster positions funded by the US Bureau of Reclamation. The five positions are currently county personnel who work under the direct supervision of OWRD; however, Umatilla County has signaled its intent to discontinue the five county positions, but may be willing to continue with financial support. As a result, the Department agreed to seek five state positions, based on the understanding that county and federal funds would support the positions.

Budget Reductions

Package 070 – Water Rights Transaction Fee Schedule Sunset – Reduction Package (\$375k OF, 2.50 FTE)

Reduces budget to account for rollback of water right transactions fee schedule to 2009 levels. Reduces staff by 2.5 FTE over the biennium. See package 100 containing add-back to maintain current-service level.

Package 090 – Budget Reductions (\$2.3 million GF)

Proposes to reduce current service level by 7 percent, as follows:

- Eliminates \$805k in general funds for Feasibility Study Grants. Package 109 replaces these funds with \$2 million in Lottery Bonds.
- Reduces Cost-Share Measurement Funds from \$157k to \$57k.
- Reduces general fund budget for new observation wells by \$200k and groundwater study funds by \$188k.
- Reduces general fund budget for gaging stations by \$120k, leaving \$136k remaining in the fund.
- Eliminates four general fund administrative positions (\$373k) and one adjudications/water right extension processor (\$150k).
- Shifts \$392k for 2 Oregon Plan positions from General Fund to M76 Operating Lottery Funds.
- Reduces General Fund for services and supplies by \$27k.

Package 091 – Service Charge Reductions (\$168k GF, \$44k OF, \$8k FF)

- Reduces budget for State Government Service Charges to account for reductions made to the Department of Administrative Services (DAS) in the Governor's Budget.

Package 092 – AG Reductions (\$57k GF, \$2k OF)

- Reduces budget for Attorney General service charges to account for reductions made to the Department of Justice (DOJ) in the Governor's Budget.