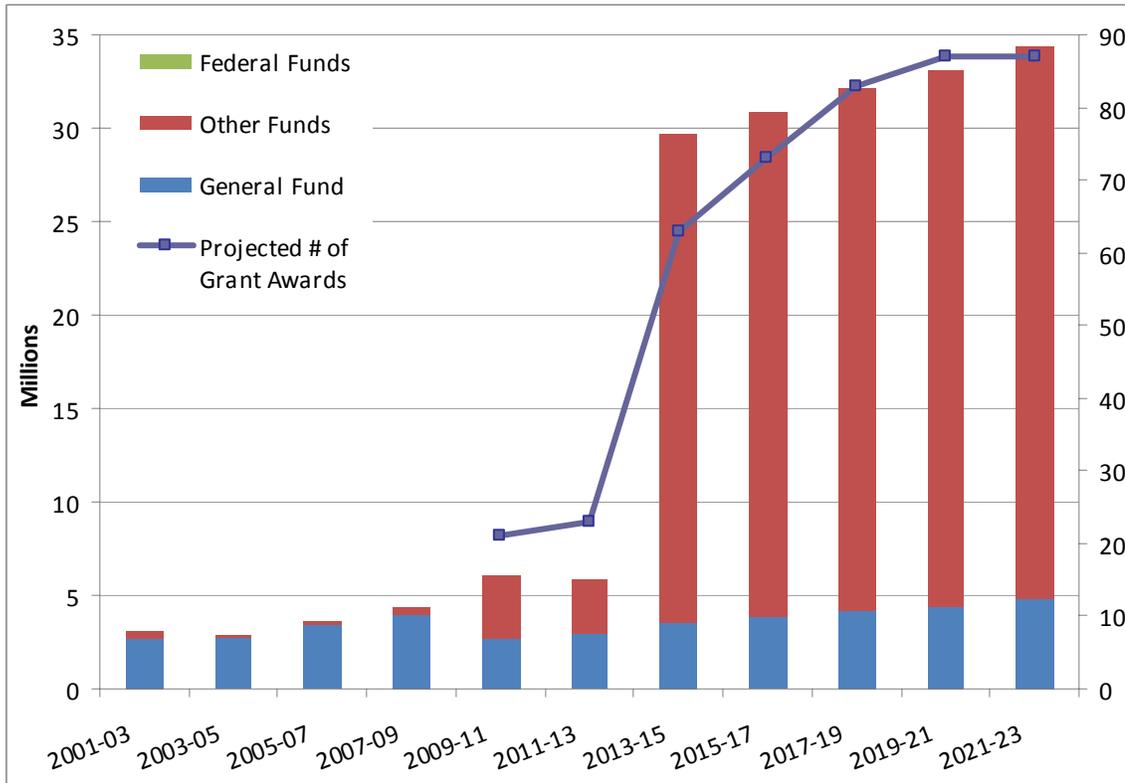


Water Resources Department: Administrative Services Division

Primary Outcome Area: Economy and Jobs
Secondary Outcome Area: Healthy Environment
Program Contact: Tracy Louden 503-986-0920



Executive Summary

The Water Resources Department is Oregon’s water quantity agency, managing the system of water allocation and distribution throughout the state. The Administrative Services Division is responsible for a number of funding programs that are critical for water development in Oregon. These include (1) the Water Conservation, Reuse and Storage Grant Program, which provides grant funds for feasibility studies that enable local entities to evaluate alternative methods of supplying water for future economic and community use. They also include (2) the Umatilla Basin Aquifer Recovery Project, recipient of \$3.2 million in grants in recent years. Finally, (3) this Division could serve as the home for Oregon’s Water Supply Development Program, proposed for the 2013-15 biennium.

The Division is also responsible for providing the Department’s business and administrative services, including accounting, payroll, contracting, facilities management and mail room support services.

Program Funding Request

Water Resources proposes \$24.9 million of Lottery Bonding funds for Water Bank and Water Supply Development programs to implement the Integrated Water Resources Strategy. The establishment of a water supply development program would improve the state’s ability to assess, plan, invest in, and develop new multi-

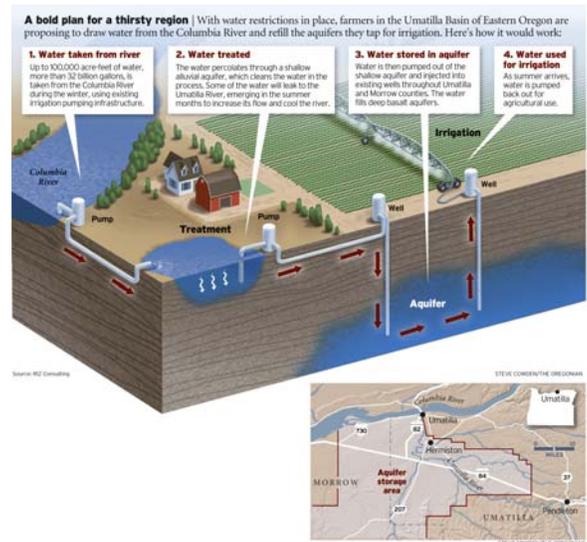
purpose storage, including above and below-ground storage, to improve or expand operations of existing storage facilities, to implement conservation projects, or to facilitate other actions designed to provide access to new water supplies for instream and out-of-stream uses in Oregon.

Program Description

The Administrative Services Division primary benefit to Economy and Jobs comes from grants that help local communities determine and implement future water supply options through conservation, reuse, or storage.

Feasibility Study Grants. Local communities often find it difficult to secure feasibility study funding as part of their project development. Such studies help determine the environmental, engineering, economic, and social implications of proposed water supply projects. One way Oregon can help with costs is to bridge the existing funding gap for feasibility studies. In 2008, the Oregon Legislature established the Water Conservation, Reuse and Storage Grant Program to be administered by the Oregon Water Resources Department. The Department awarded approximately \$1.3 million in feasibility study grants to 21 Oregon communities.

Umatilla Basin Aquifer Recovery Project. The Umatilla Basin Aquifer Recovery Project uses artificial recharge techniques to clean the water to state water quality standards, and then injects the water into deep storage using aquifer storage and recovery techniques. Communities nationwide are following this project with interest, noting benefits to both irrigators and instream interests. In 2008, the Oregon Legislature provided \$750,000 in planning funds, following up in 2011 with a \$2.5 million grant for program implementation. ➔



The Division is also responsible for providing human resource management and fiscal services such as payroll, accounts payable, accounts receivable, contract management and general ledger. The department has been continuously recognized as a “Gold Star” contributor to the SFR since the inception of the program.

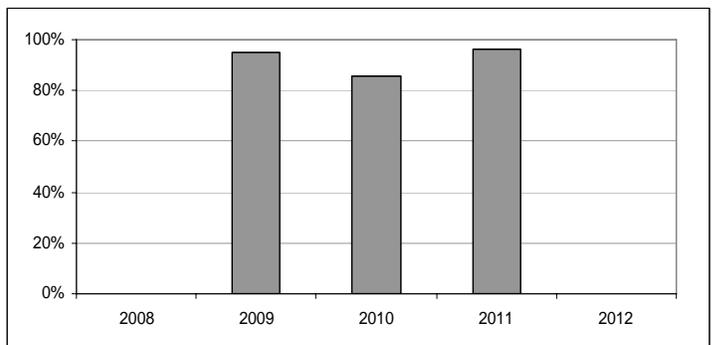
Program Justification and Link to 10-Year Outcome

The grant program focuses on development of future options for water supply through conservation, reuse, or new supply projects achieved through a process of local development and integrated community planning. A priority of the state’s Integrated Water Resource Strategy, this grant program partners at the local level to identify viable solutions to future water supply needs. The administrative functions of this program area support economy and jobs through timely and efficient payment for services and supplies and accurate payroll processing.

Program Performance

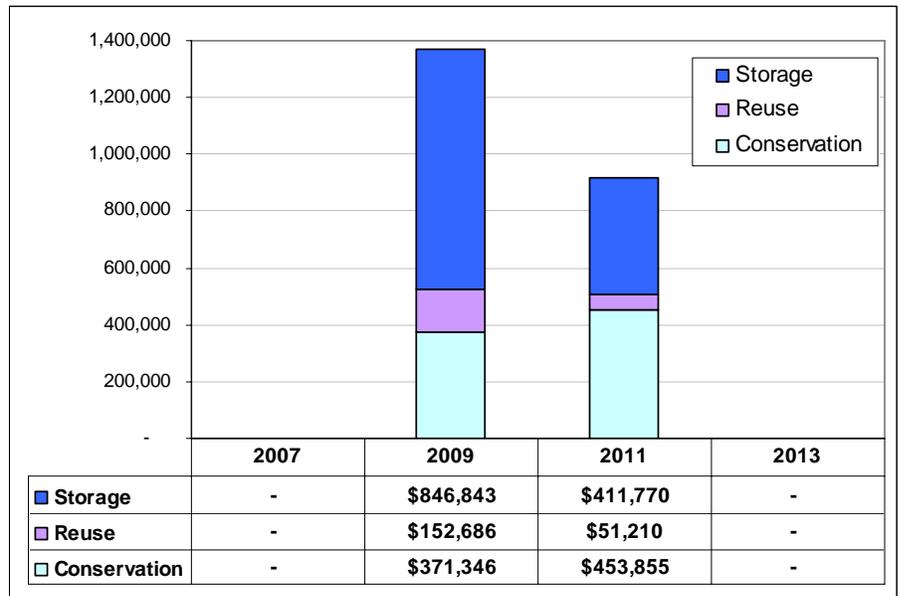
Grant reports received timely

The Department receives quarterly reports from grant recipients providing information on expenditures and tasks that have been completed. This measure shows the percentage of reports that are received within 0-10 days of their due date. Consistency above 80% is the goal. ➔



Type of Feasibility Study Grants

This graph indicates the types of grants funded. The first biennium the grants were available was in 2009-11. The second round of grants in 2011-13 saw an increase in applications related to water conservation. The amount available for grants is renewed each biennium through the budget request and legislative approval process. For 2013-15, the requested amount is \$1.1 million.



Enabling Legislation/Program Authorization

The Water Conservation, Reuse and Storage Grant Program is governed by ORS 541.561. Administration is carried out under the administrative rules and guidelines of state government.

Funding Streams

The primary funding source is General Fund that is used to provide administrative services to the Department. Funding for the Water Conservation, Reuse and Storage Grant Program has come from General Fund and Lottery Bonds in the past. For the 2013-15 biennium, Lottery Bonds are proposed.

Significant Proposed Program Changes from 2011-13

The funding proposal increases this program area’s resources by \$2.3 million in Lottery Funds for Debt Service and \$22.6 million in Lottery Bonds for water supply development initiatives. These changes are proposed in two budget packages listed below:

WRD Pkg #204 Create a Water Supply Development Program **\$23.6 Million**

The establishment of a water supply development program would improve the state’s ability to assess, plan, and develop new multi-purpose storage, including above and below-ground storage, to improve or expand operations of existing storage facilities, to implement conservation projects, or to facilitate other actions designed to provide access to new water supplies for instream and out-of-stream uses in Oregon.

This package includes two initiatives to 1) facilitate access to existing supply in the near term; and 2) development of new supply over a multi-year period.

A *Water Bank* that provides access to existing supply through the State’s acquisition of water, on either a temporary or permanent basis, for future use. This *Water Bank* envisions rapid response to immediate water needs and would provide sources of water for economic expansion, municipal growth, and environmental protection.

A *Water Development* program would provide longer term solutions, allowing the state to function as a water investor, broker and funder of large projects that would deliver sustainable sources of new water supply.

Success is defined by the establishment of water supply development tools, such as: the authority and funding for state-level investment in water projects; authority and funding for the direct purchase of water from partners; funding for the state’s purchase or lease of water rights; and making water resource development grants and loans available for communities. This corresponds with Legislative Concept #659.

(IWRs Recommended Action 10e)

Funding: Lottery Backed Bonds - \$23,597,488

Staff: 4 FTE

WRD Pkg #206 – Feasibility Study Grants

\$1.3 million

Oregon is facing increasing water demand and increasingly scarce water supplies. To adequately meet Oregon’s diverse water demands now and into the future, Oregonians must use their water wisely and efficiently; that means looking more closely at innovative water conservation and reuse programs and environmentally sound storage projects that capture available water so it can be put to beneficial use when needed. Across the state, there are numerous potential water supply projects that are not pursued because a lack of funds necessary to cover the up-front costs related to feasibility study. This presents a considerable and often insurmountable barrier. “Up-front costs” may include hundreds of thousands of dollars to conduct the numerous feasibility studies and environmental analyses required before a project can begin.

The Water Conservation, Storage and Reuse grant program provides cost share to individuals and communities who are seeking local solutions to their water shortage problems.

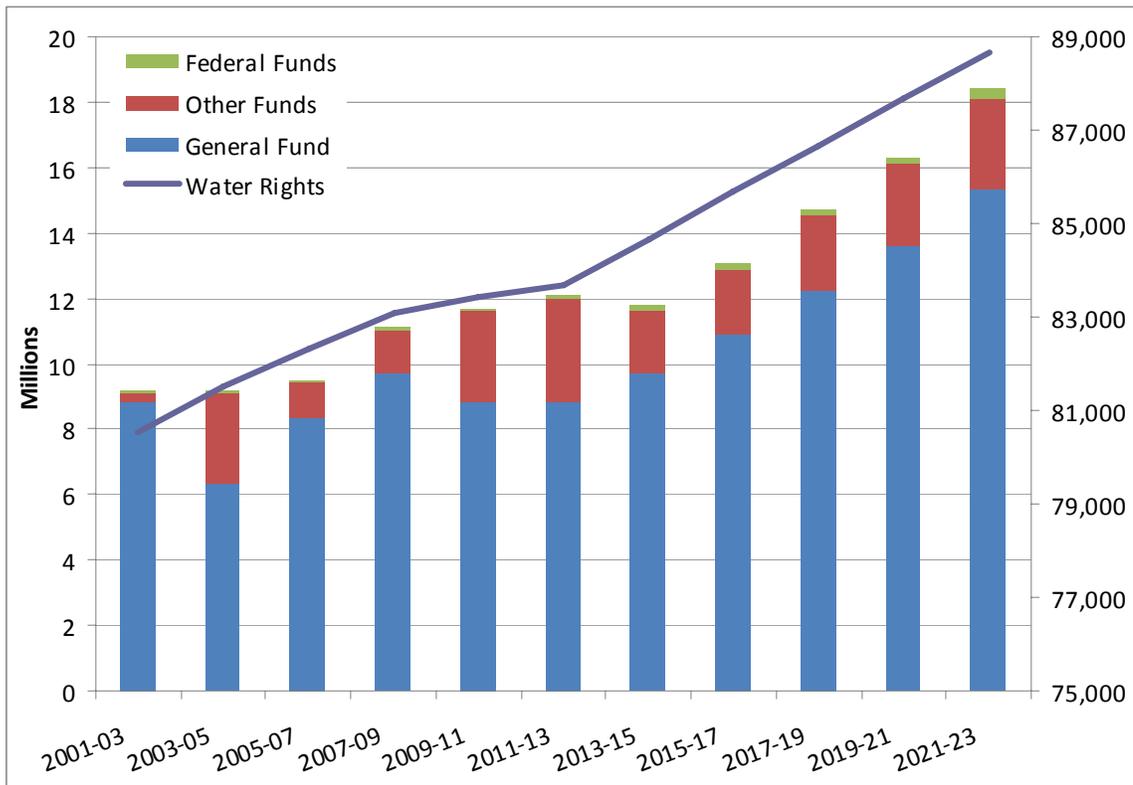
Biennium	Requests		Awards	
	# of Applications	\$ Dollars	# of Applications	\$ Awarded
2009-11	35	\$ 5,040,943	21	\$1,370,875
2011-13	23	\$ 2,295,774	19	\$1,123,835
2013-15 Proposed	30	\$2,500,000	18	\$1,075,000

Funding: Lottery Backed Bonds - \$1,301,385

Staff: .5 FTE

Water Resources Department: Field Services Division

Primary Outcome Area: Economy and Jobs
Secondary Outcome Area: Healthy Environment
Program Contact: Doug Woodcock 503-986-0878



Executive Summary

The Water Resources Department is Oregon’s water quantity agency, managing the system of water allocation and distribution throughout the state. The Field Services Division is responsible for the on-the-ground management of Oregon’s water law. The purpose of this body of law (enacted 1909) was to create a rational system of water allocation and distribution throughout the state. Prior to this, water was distributed in Oregon through the “rule of capture”—if you could divert it and maintain that diversion, you could use it. Without oversight, this led to conflicts and even violence between users. Today, however, water is allocated and managed rationally through a system of state permitted water rights that provides certainty and predictability of water supply for Oregon jobs and economic development. The Field Services Division provides the regulatory oversight for that water rights system, managing all surface water and groundwater supplies for users ranging from large agricultural, municipal, and industrial to individual domestic users.

Program Funding Request

Water Resources proposes to utilize \$803,203 in additional General Fund to implement the Integrated Water Resources Strategy, conduct basin groundwater investigations and provide water distribution and management staff within the Willamette and Klamath basins. The Department also is requesting authority to receive \$167,632 in Other Funds from Deschutes, Jefferson, Crook, and Klamath counties to provide water distribution and management with an assistant watermaster position.

Program Description

The primary purpose of the Field Services Division is protection and management of water rights to meet Oregon's direct economic water needs, as well as the management and protection of instream water rights to provide fish and recreational flows and improve water quality.

The Field Services Division achieves its purpose through a presence in the field, working closely with water users and providing regulatory enforcement of Oregon water law. Long-term one-on-one relationships between field staff and water users in basins around Oregon allow for effective and timely water management solutions. Close collaboration between Field Services staff and the Regional Solutions Centers ensure that promising economic development opportunities are not held up by water supply issues.

Historically, workload and customer contact increased seasonally during the spring and summer months. Today's workload is distributed year-round as staff deal with more complex water management issues.

The Field Services Division is comprised of 51 current employees in five regions across the state. The core of the Division is 20 watermasters and five assistant watermasters who manage water supplies and water rights over Oregon's 98,000 square miles. In addition to the watermaster corps, hydrologic technicians measure the surface waters of the state to assure water availability, collecting data for long-term trend analyses and water availability investigations. Well inspectors ensure that wells are constructed to be protective of Oregon's aquifers and people's drinking water supplies. Division staff interact daily with the public, providing onsite information regarding water supply management and well construction, resolving disputes between users, collecting data about stream flow and groundwater levels. Customers include Oregon farmers, ranchers, business owners, municipal water suppliers, other state and local government agencies, homeowners, and environmental interests.

The two primary cost drivers for the division are personnel costs and services and supplies, primarily vehicles for in-state travel. The 20 watermasters, on average, cover 4,800 square miles each, with larger watermaster districts closer to 10,000 or more square miles, requiring extensive travel to meet the watermaster district's water management needs. Personnel require specialized training in water measurement, Oregon water law, administrative and enforcement procedures, and most importantly, water right knowledge specific to their watermaster district. Each watermaster and assistant needs to know the location of pumps, ditches, headgates, measuring devices, wells, and places of water use, and contact and ownership information for the water users. It is this timely and effective regulation and distribution of water that protects and preserves the investment of the many diverse water users in Oregon.

Program Justification and Link to 10-Year Outcome

Water equates to jobs, and water-dependent industries must have reliable water to maintain employment rolls and meet baseline business needs.

Irrigated agriculture contributes more than 75 percent of the total value of Oregon's harvested crops, generating nearly \$3.5 billion in farm gate value. These farms, vineyards, orchards, nurseries, and ranches contribute significantly to county economies as well, providing jobs, related goods and services, and a tax base critical to the survival of county budgets. Agriculture depends upon a certainty of water supply to meet planting and harvesting goals.

Water supply certainty and predictability is also critical for industry and municipalities in meeting their need for a reliable water supply.

If water is the fuel of Oregon's economic engine, then it is Field Services Division's responsibility to ensure that agriculture and other water-dependent industries have reliable water to maintain employment and meet their business needs. The Field Services Division best aligns with *Strategy 1* of the *Economy and Jobs Outcome*, providing the regulatory framework for dependable and sustainable water supplies that promote trade and sustainable business development.

In addition, Field Services Division staff will be directly responsible for field implementation of any Integrated Water Resources Strategy key priority actions, particularly in the areas of place-based planning and adequate field presence.

Place-Based Planning. Because every river basin in Oregon is unique with widely varying ecological, community, and economic dynamics, place-based integrated water resource planning is vital to meeting Oregon's water management challenges. Place-based planning enables communities to engage in a collaborative process to determine how best to meet their unique instream and out-of-stream water needs. Place-based planning processes provide a venue for water managers to interact with people who live, work, and play in a watershed and care deeply about it.

#

Adequate Field Presence. The ability to partner with the community and work on the ground is one area that sets Oregon apart from other states who have written policies, but no capacity to implement or enforce them out in the field. The state's ability to identify and correct problems locally is dependent on the number of skilled personnel in the field, the technical training they receive, the equipment (measurement, communications, and transportation) available to them, and their ability to educate and inform customers. #

Field personnel collect data and protect public and environmental health through inspections and enforcement actions. They are well positioned to work with federal and local water managers, watershed councils, local planners, county commissions, and other entities in the community with responsibility for water. These individuals are also on the front lines of public education and they have a breadth and depth of policy, technical, and legal knowledge in their disciplines.

In recent years, the number of personnel in the field has dwindled. For example, Water Resources staff peaked in the 1990s when the agency had more than 160 staff members. This was supplemented by 37 county-funded assistant watermasters. In recent years, state-funded staff has declined to 144 and counties now support only 15 field-related positions. This reduction in Water Resources Department's field presence is significant, given the large responsibilities involved. In southeast Oregon, for example, the District 9 watermaster is responsible for regulating and distributing water across 11,000 square miles of land. In northwest Oregon, the District 16 watermaster is responsible for several hundred dams that need routine inspection and site visits.

There is a strong need to increase and maintain adequate field presence at Water Resources Department. These staff members include watermasters, inspectors, scientists and technicians. Field personnel manage and distribute water; ensure compliance with permit conditions; guard against waste, contamination, and loss of pressure; inspect for hazards; and collect critical data. Strengthening Oregon's field-based work will require financial investments and a continued partnership with other agencies to carry out our shared responsibilities.#

The Field Services Division is tied to the *10-year Outcomes for Jobs and Economy Strategy 1* by: 1) providing local field management expertise in the development of place-based regional water resource plans, and 2) managing existing water supplies and the protection of senior water rights as the *Outcome Goal* of 20,000 additional acres of irrigated agriculture are developed and added to the economy.

Program Performance

The Field Services Division addresses a broad range of water supply protections. The table displays two of Field Services Division's responsibilities: Regulatory Actions and Well Inspections.

Year	Regulatory Actions	Well Inspections
2007	11,636	1,169
2008	6,999	1,651
2009	11,493	1,245
2010	10,528	715
2011	8,182	743
2013-15	10,000/yr est	800/yr est

Regulatory Actions. The watermaster corps is the sole provider of water regulation and distribution in Oregon. Regulatory actions are either actions by the watermasters corps that cause a change in water use behavior, or field inspections that determine no change is necessary. This metric gauges the field workload and communication with water right holders, and is influenced by climate (wetter years generally require less regulation; see 2011); by availability of staff to undertake the work; and by external forces such as federal irrigation project management related to Endangered Species Act issues. The goal in the above table is to increase the number.

Well Inspections. Well inspections maintain the integrity and quality of Oregon's groundwater resources. Proper well construction maintains groundwater quality and quantity, and prevents the loss of artesian pressure. The number of newly constructed wells that are inspected each year is influenced by weather (because drier years result in more wells being drilled) and the economy, which drives new construction. No other entity inspects wells in Oregon. The goal in the above table is to increase the number.

Enabling Legislation/Program Authorization

Oregon water law is laid out in Oregon Revised Statutes (ORS), chapters 536 through 541. With ORS 536.220, the legislature recognizes and declares that future growth and development of this state for the increased economic and general welfare of the people are in large part dependent upon a proper utilization and control of the water resources of this state, and such use and control is therefore a matter of greatest concern and highest priority. ORS 537.110 declares all waters in the state as a public resource; 537.535 – 537.635 authorizes the water-use permitting process to develop those waters; 537.747 – 537.772 authorizes well construction standards and regulation; 540.020 – 540.045 authorizes the appointment of watermasters and regulatory duties to distribute water based upon water rights of record. Most recently, ORS 536.220(3) (a) requires that the Oregon Water Resources Department develop an Integrated Water Resources Strategy to meet Oregon's instream and out-of-stream water needs.

Funding Streams

The Field Services Division is primarily funded using General Fund dollars, a reflection of the long-term history of the program and the many diverse interest groups benefitting from water management and water right services. Start Card fees, authorized under ORS 537.762, are received when new wells are constructed, and support Oregon's well inspection program. Federal funds support approximately 2-3 percent of the Field Services Division operations.

Significant Proposed Program Changes from 2011-13

The funding proposal increases this program area's resources by \$803,203 General Fund and \$167,632 in Other

Funds to support continuation of the Integrated Water Resources Strategy, define the relationships between groundwater and surface water to provide the basis for water availability decisions, provide for effective water management and distribution services in Wallowa and Klamath counties, and accept county funding for assistant watermaster services.

WRD Pkg #201 Implement the Integrated Water Resources Strategy **\$209,773**

Implementation of the Integrated Water Resources Strategy, published in 2012, includes development of further project details for legislative action, fulfillment of scientific, outreach, and policy obligations, and documentation of lessons learned. In the coming years, an effective state-wide Strategy will require efforts at the local level as well, to develop place-based strategies that can guide not just one, but a series of water development projects over time. Funding should be available for the State to facilitate place-based planning and sustain the type of effort and expertise required to implement the water development strategies that emerge. The four primary agencies responsible for development of Oregon’s Integrated Water Resources Strategy—Water Resources Department, Department of Environmental Quality, Department of Fish and Wildlife, and Department of Agriculture—are all proposing packages to fund coordination of IWRS implementation.

(IWRS Recommended Action 13a)

Funding: \$209,773 General Fund

Staff: 1.0 FTE

WRD Pkg #202 Conduct Basin Groundwater Investigations **\$250,000**

Understanding Oregon’s groundwater resource is clearly articulated in Oregon’s Integrated Water Resource Strategy in Recommended Action 1a. In developing the Strategy staff found the number one request WRD receives from county and other local planners is for more information about groundwater resources: “Where is the groundwater?” “How much groundwater is available?” and “What rate of pumping is sustainable?” This information is an important input for economic development throughout Oregon. Funds will be used to partner with the U.S. Geological Survey (USGS). OWRD and USGS scientists will jointly conduct comprehensive basin-by-basin groundwater investigations that include data surveys, define relationships between groundwater and surface water, and provide science-based tools for managing groundwater on a sustainable basis.

(IWRS Recommended Action 1a)

Funding: \$250,000 General Fund

Staff: -0- FTE

WRD Pkg #203 Field Services **\$343,430**

These positions are partial fulfillment of the Integrated Water Resources Strategy (IWRS), a three-year planning process that culminated in adoption by the Water Resources Commission in August 2012. The Strategy and associated work plan present a need for rebuilding field capacity to meet the water distribution and water supply demands, including: flow restoration, protection of instream water rights, monitoring compliance, and stream flow gaging. The two positions include a watermaster in Wallowa County and an assistant watermaster in Klamath County.

(IWRS Recommended Action 1c, 10)

Funding: \$343,430 General Fund

Staff: 2.0 FTE

WRD Pkg #209 Make Permanent an Existing Assistant Watermaster **\$167,632**

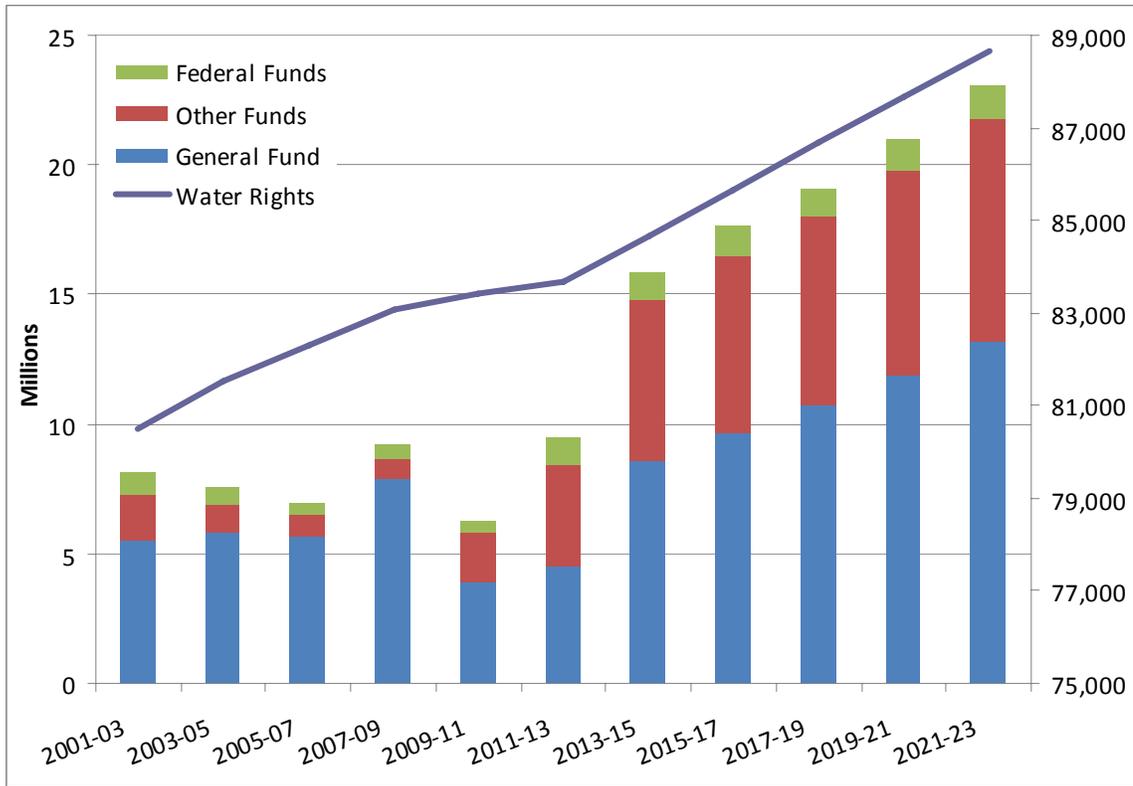
Currently, the Department has a limited duration assistant watermaster in the Deschutes Basin. This package requests making this limited duration position permanent, to help the Department conduct its core responsibilities, including: settling water right disputes; protecting existing instream and out-of-stream water rights; collecting hydrologic data for planning and regulation; inspecting dams and wells for structural integrity and public safety. This position is funded from other funds, including monies from Deschutes, Jefferson, Crook, and Klamath counties.

Funding: \$167,632 Other Funds (Counties)

Staff: 1.0 FTE

Water Resources Department: Technical Services Division

Primary Outcome Area: Healthy Environment
Secondary Outcome Area: Economy and Jobs
Program Contact: Barry Norris: 503-986-0828



Executive Summary The Water Resources Department is Oregon’s water quantity agency, managing the system of water allocation and distribution throughout the state. The Technical Services Division provides the best available science for water management decisions related to supporting a healthy environment. Without the opportunity for science-based decision-making, water management in Oregon would lack certainty, equity and sustainability.

Program Funding Request

Water Resources proposes to use \$3.1 million in additional General Fund to implement portions of the Integrated Water Resources Strategy including water-use measurement and reporting, instream protections, surface and groundwater data collection. \$100,000 of General Fund is requested to provide modeling of the Metolious groundwater system. A water right management fee would provide \$2 million in the first biennium to implement a stable funding source for core responsibilities related to water right management.

Program Description There are five primary sub-programs within the Technical Services Division.

(1) *Groundwater Basin Investigations.* Oregon has a need for additional groundwater investigations to further understand the relationship between groundwater and surface water, and the availability of both. Conducting groundwater investigations is a priority for the state, which typically conducts this work at the basin scale through a cooperative, cost-share science program with the U.S. Geological Survey (USGS). The Department has completed its initial look in three basins in Oregon: the Deschutes Basin, the sedimentary aquifers of the Willamette Basin, and the Upper Klamath Basin. The state has prioritized additional basins for subsequent groundwater studies, including the Umatilla and its Walla Walla sub-basin (a high priority due to the desire to

appropriate additional winter water from the Columbia), and the Hood, Sandy, Grande Ronde and Powder Basins. Basin studies can take approximately 5-6 years to complete. The major cost driver to this program is the need for highly skilled hydrogeologists.

Accurate well location and water-level data measured at state observation wells and miscellaneous project wells are critical to help assess the groundwater resource. Prior to conducting groundwater studies in a basin, it is necessary to establish long-term water level data sets to accurately evaluate climatic, seasonal, and groundwater development impacts on the aquifers. There are currently 372 state observation wells and 686 miscellaneous project wells active in Oregon. Expanding this network with dedicated monitoring wells, to which staff have year-round access, would help immensely in basins where the state plans to work with the U.S. Geological Survey on cooperative groundwater studies.

(2) *Surface Water Hydrology.* As of 2012, the Water Resources Department operates more than 200 stream and reservoir gages throughout the state, maintaining a 100-year record for many of them. The Department has operated gages to serve two primary purposes: scientific evaluations, and water management (for distribution and regulatory purposes). About 150 of these gages are operated as near real-time, and transmit data once every hour. The Department also posts on its website information from another 225 gages operated by the U.S. Geological Survey.

Operating a stream gage network requires trained hydrographic technicians to keep the equipment operating properly, to conduct regular measurements at various water elevations, and to input the collected information into a central database. Staff review the data, make corrections based on field conditions, such as debris or ice, and finalize the records to meet computation standards established by the USGS. Currently, the state lacks sufficient capacity to maintain and quickly process data from its network of stream gages. This has resulted in a backlog of unprocessed records, and has hindered the Department's ability to share valuable water resources information.

The Department recently identified gaging priorities for water management and distribution. The evaluation identified locations where another 70 stream gages would help watermasters distribute surface water to water right holders; 30 of these gages are high priority for regulatory, environmental and logistical reasons.

(3) *Well Construction and Enforcement.* Well Inspectors make sure that wells are constructed in a manner that protects groundwater from toxins, other contaminants, waste, and loss of artesian pressure. The Department has the ability to develop special standards to handle unique local circumstances as they arise. The Department reviews well construction reports and provides a continuing education program and construction guidance for approximately 650 licensed well drillers in Oregon. The major cost drivers are salaries and benefits for program personnel.

(4) *The Dam Safety Program.* Dam Safety Engineers protect public safety, with an inspection portfolio of more than 1,300 dams statewide. Engineers supervise all inspections to ensure consistency and technical competency; approximately 30 percent of inspections result in a recommended action to the owners. Engineers approve all design and construction activities, incorporating earthquake and extreme flood event information as it becomes available. Success for this program is measured by the lack of catastrophic failures, the solid relationships established with owners and their consultants, and the ability of Department engineers to work with owners to complete upgrades when they are needed. The major cost driver to this program is the need for highly skilled engineers.

(5) *Information Technology.* I.T. provides the technology needed for critical data management. Department databases receive an average of 1.9 million hits per year over the internet. Accessible information includes water rights, streamflow, groundwater, well construction and water use, the Water Resources Commission meeting materials, and scientific investigations such as a comprehensive flood frequency interactive model, a

statewide interactive analysis of water availability, and an interactive mapping portal that includes a generous array of map overlays exhibiting various data sets. The major cost driver for this program is the investment needed to maintain current technology including equipment, training and labor costs.

Program Justification and Link to 10-Year Outcome

Healthy Environments Strategy 1: Water Quality and Air Quality. Analysis of surface water and groundwater are essential components in analytical programs that contribute to protecting and restoring threatened and endangered species. Proper well construction protects groundwater aquifers from contamination, loss of artesian pressure, and waste. It preserves the quantity and quality of groundwater that continually contributes to surface water bodies.

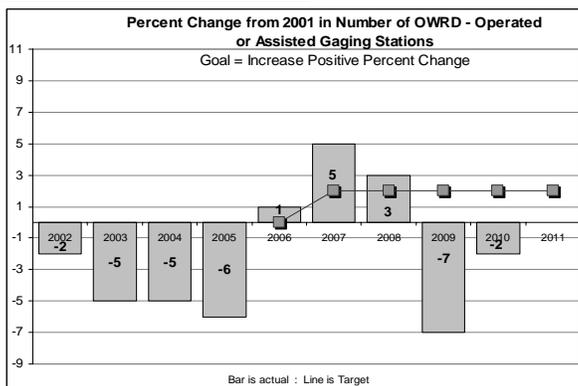
H.E. Strategy 2: Conserve and Protect Watersheds. Through the use of monitoring equipment, measurements, and inspections, the Division collects and shares groundwater and surface water information vital to the protection of Oregon’s water resources. This information enables staff to protect instream flows, groundwater aquifers, and senior water rights.

H.E. Strategy 3: Toxics. Understanding groundwater is a key component to prevent migration of existing groundwater contamination. Scientists work closely with the Department of Environmental Quality to manage groundwater use accordingly. Proper well construction prevents cross flow between aquifers and contamination from surface water.

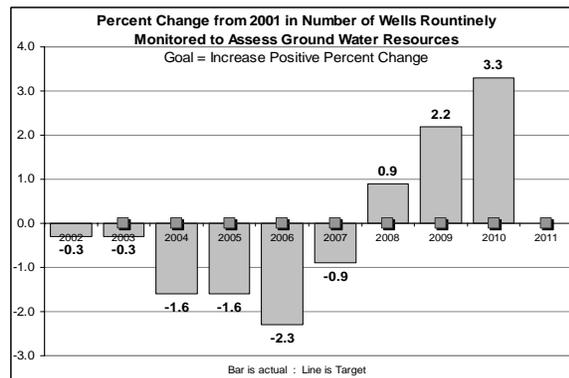
H.E. Strategy 4: Build Great Communities. Growing communities depend on the certainty that water will be available for consumption, recreation, agriculture and other purposes. This program contributes to the coordination of resources for growing communities by providing the science to manage surface water and groundwater conjunctively as a sustainable resource.

H.E. Strategy 5: Natural Resource Management. Tasks are coordinated to provide best science, treat businesses fairly, and achieve environmental outcomes through appropriate, science-based compliance strategies. This helps avoid a command and control approach in favor of consistent and fair decisions with competent analysis, and open and easily accessible information in a user friendly environment.

Program Performance



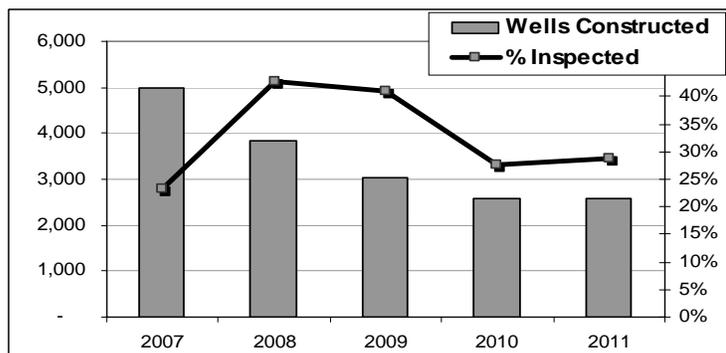
In 2010, Oregon had 211 active streamflow gages, compared to 215 in 2001.



In 2010, Oregon had 362 wells in the State Well Net, compared to 350 in 2001.

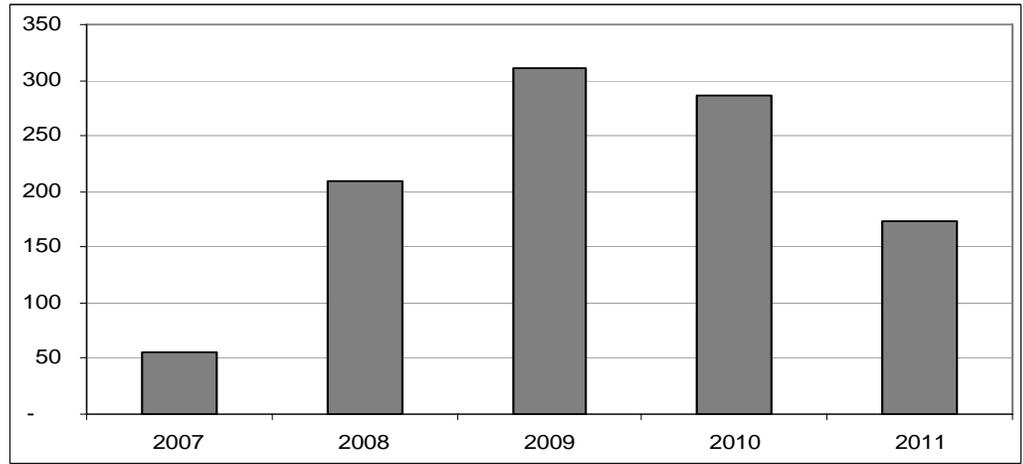
Wells Constructed and Percentage Inspected

The Department has a goal of inspecting at least 25% of constructed wells. Declines in the number of wells constructed during the recession have allowed an increase in inspections.



Dam Safety Inspections

The Department inspects dams on an ongoing basis. Oregon currently has more than 1,300 dams statewide. Those dams that have a potentially higher risk of life endangerment or property damage are inspected more frequently.



Enabling Legislation/Program Authorization

Oregon water law is addressed in Oregon Revised Statutes (ORS), chapters 536 through 541. ORS 537.110 declares all waters in the state as a public resource.

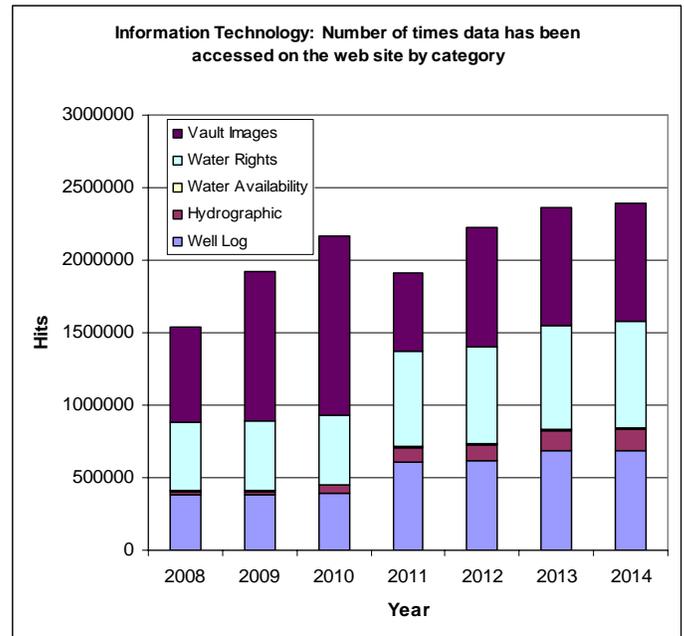
Dam Safety: ORS 540.350 thru 540.400 defines certain dams and other water structures as potential threats to life and property and requires review by the Water Resources Department.

Groundwater Hydrology: ORS 537.505 thru ORS 537.746 provides for the protection of groundwater to insure a sustainable resource for the state.

Well Construction and Enforcement: ORS 537.747 thru ORS 537.796 & ORS 537.880 thru ORS 537.895 provides requirements for well construction.

Surface Water Hydrology and Measurement: ORS 536.440, ORS 537.099, ORS 542.060, ORS 542.750 & ORS 540.435: Water users must measure and report. The Department must establish and maintain gaging stations; publish gage records, and analyze surface water.

Information Technology: ORS 536.037 and ORS 536.040: Department must keep records and the information must be made available to the public. ORS 291.037 thru 291.038 finds information resources are a strategic asset and must be managed accordingly by agencies.



Funding Streams

Historically, the majority of funding comes from the state General Fund. Other Funds include fees for the inspection of wells placed by licensed drillers and the mapping of those wells in the Department’s online databases. The state’s core responsibilities related to water, described in detail throughout this document, are underfunded and have been for years. The declining trend of investment of General Fund must be addressed, in order to ensure Oregon’s natural resource legacy for future generations and to implement our shared vision into the future. Natural Resource agencies in Oregon are developing a number of ideas to stabilize their budgets from the steep decline in General Fund, and are watching other western states with interest, as they do the same.

Significant Proposed Program Changes from 2011-13

The funding proposal increases this program area's resources by \$3.2 million General Fund and \$2.0 million in Other Funds to both protect and provide for beneficial uses of Oregon's surface and groundwater resources.

WRD Pkg # 101 Water-Use Reporting Program

\$175,000

This re-instates the Department's water-use reporting position, necessary to fulfill statutory responsibilities and provide technical assistance to water users. Restoration of this staff position will enable the Department to work with water users to fulfill the requirements of their water use for measurement and reporting, essential tools for the Department in managing water resources on a sustainable basis for the economy and for future generations.

(IWRS Recommended Action 2b)

Funding: \$175,000 General Fund

Staff: 1.0 FTE

WRD Pkg # 102 Instream Protections

\$368,129

This package is designed to help the state meet its instream needs, by first collecting necessary data and then implementing greater instream protections. Oregon's ability to meet instream needs is limited by our understanding of these needs. While scientists know that ecosystems and species depend upon both surface water and groundwater, they have not yet identified or quantified all of the ecological functions that rely on groundwater and surface water. Nor have they fully quantified the ecological degradation that occurs with differing qualities and quantities of water. On implementation of this proposal, staff will develop criteria for basins throughout the state, and a schedule for completion of each basin. This package compliments a request at Oregon Department of Fish and Wildlife for biologists to determine the flow needs of native fish species. An OWRD hydrologist and permit writer will help develop and process resulting requests for instream water rights.

(IWRS Recommended Action 3a, 11b)

Funding: \$368,129 General Fund

Staff: 2.0 FTE

WRD Pkg # 103 Re-institute the Measurement Cost Share Fund

\$50,000

Water-use measurement is critical to successful management of the resource. The cost to install weirs, flumes, meters, or other appropriate measurement devices can be significant, up to several thousand dollars for water users with multiple diversions. This concept re-capitalizes an already existing fund to assist water users with this partnership in water management. Installation costs are shared; users then provide water-use measurements.

(IWRS Recommended Action 2b)

Funding: \$50,000 General Fund

Staff: -0- FTE

WRD Pkg # 105 Groundwater Data Collection and Integration

\$1,415,646

Provides resources necessary to manage Oregon groundwater in a manner that maximizes the opportunity for use while ensuring sustainability for existing users and future generations. Expands the current well net by 30 percent, reduces the number of wells without confirmed identification information by 50 percent, and eliminates all backlog related to groundwater applications. Incorporates the existing well information data base with the surface water data base and hosts the information on the Department's web page.

(IWRS Recommended Action 1b, 1c)

Funding: \$1,415,646 General Fund

Staff: 3.0 FTE

WRD Pkg # 106 Surface Water Data Collection and Integration

\$1,116,225

The issues addressed here are two-fold: 1) a need to upgrade surface water data collection in Oregon; and 2) agency coordination of collecting and sharing of data across local, state, federal, and tribal agencies. The Department's network of stream gages is important in the management of Oregon's surface water and groundwater resources. It is used by a variety of agencies and other entities for making daily decisions, protecting and monitoring instream flows, forecasting floods, designing infrastructure such as bridges and

culverts, planning for recreational activities, better understanding how much water is available for new uses, and tracking long - term trends such as climate change and drought.

OWRD completed an evaluation of the stream gage network in Oregon and published the analysis in 2012. The report focused on the gage network as used for water distribution among water right holders, including instream water rights. The report identified a need for 70 new stream gages with 30 of those as high priority installations.

(IWRs Recommended Action 1b, 1c)

Funding: \$1,116,225 General Fund

Staff: 5.0 FTE

WRD Pkg # 107 Metolius Modeling

\$100,000

In 2011 the Legislature passed HB 3623, which requires the Department report every five years to the Legislature on the status of the Deschutes Basin study area, including "...a review of groundwater uses on the headwaters of the Metolius River and other key reaches of the Metolius River System." No funding was provided for this new groundwater investigative work. This funding provides the Department with the ability to model specific impacts on the Metolius River that result from water use. This information will be reported to the Legislature as required by HB 3623.

Funding: \$100,000 General Fund

Staff: .5 FTE

WRD Pkg # 108 Water Right Management Fee

\$2,000,000

The proposed water right management fee provides a stable funding source for core responsibilities related to water right management. Funds will be obtained through an annual flat fee for each water right held by an entity, with a maximum amount that can be charged any one entity no matter how many rights are held. Monies collected are to be deposited in the Water Rights Operating Fund and used to fund field, technical and administrative activities involving water rights management such as the administration, maintenance and protection of the water right permit and certificate system. These funds represent the implementation costs to establish the system and infrastructure for collection resulting in up to \$2 million in the first biennium and \$10 million in additional Other Funds in future biennia.

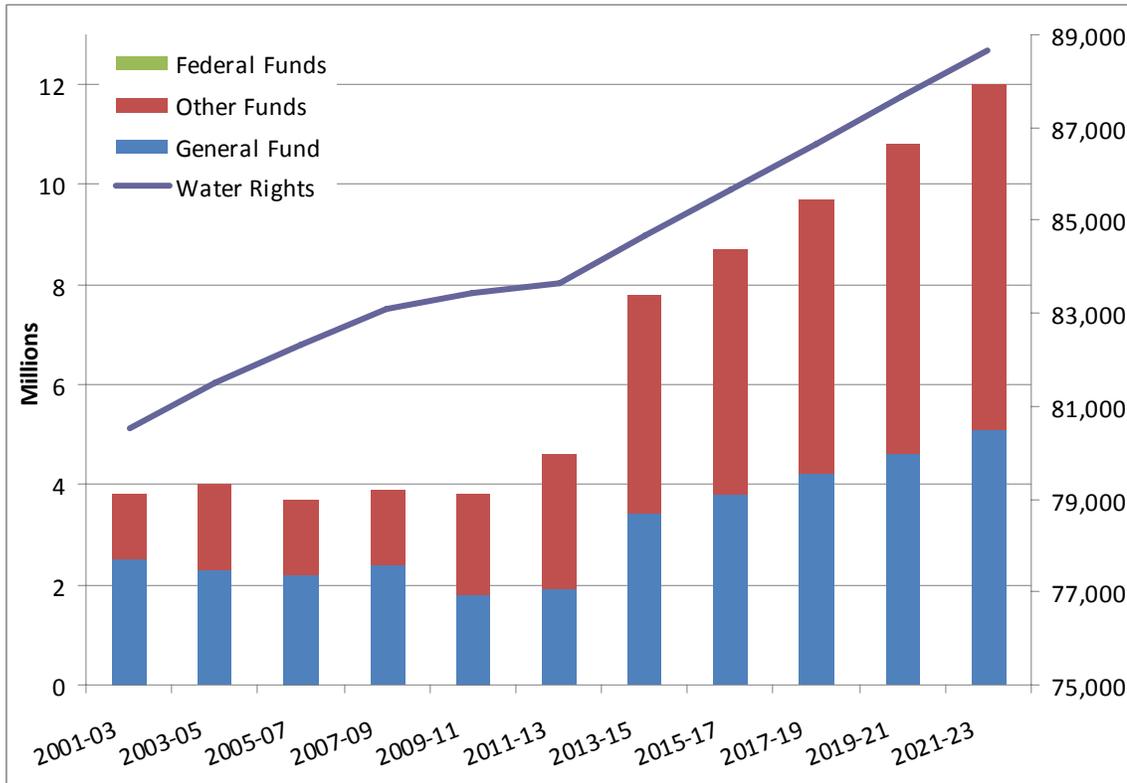
(IWRs Recommended Action 13b)

Funding: \$2,000,000 Other Fund fees

Staff: 7.0 FTE

Water Resources Department: Water Right Services Division (WRSD)

Primary Outcome Area: Economy and Jobs
Secondary Outcome Area: Healthy Environment
Program Contact: Dwight French, 503-986-0819



Executive Summary

The Water Resources Department is Oregon’s water quantity agency, managing the system of water allocation and distribution throughout the state. The Water Rights Services Division supports the economy of Oregon by processing all of the water rights applications for the state. This includes, but is not limited to, the following application types: new water right permits, water right transfers (changes to existing water rights), requests for extension of time to further develop existing water rights, limited licenses, determinations of pre-law water uses (“Adjudications”) and hydroelectric licensing. A significant number of jobs are created and supported as a result of water right approvals.

Program Funding Request

Water Resources proposes to continue the staff that support the Water Right transactions and services through extension of a fee schedule that was implemented in 2009. Another 2013-15 proposal also provides for customers to voluntarily update the contact information on water right certificates for a fee. These initiatives do not have a General Fund impact.

Program Description

The WRSD supports Oregon's economy by evaluating and acting upon applications for new water rights. Under Oregon law, almost all water users, including agricultural enterprises, cities, and state and federal agencies, must apply for and receive a water right before initiating water use. Approvals of these types of applications often result in wells drilled, pipes and pumps bought and installed, and other types of construction related activities. The Division is responsible for the evaluation of both instream and out-of-stream water right applications and the issuance of new water right permits. In addition, the Division administers the following water right-related programs:

- Extensions of time;
- Water right certificates;
- Protests;
- Customer service and record management;
- Hydroelectric permitting;
- Limited license applications;
- Drought related water use permits;
- Adjudication of pre-1909 water right claims;
- Water right transfers;
- Permit amendments;
- Water Management and Conservation Plans;
- Allocations of Conserved Water; and
- Instream Leasing.

The Division is responsible for distributing the weekly public notice of applications and responding to public inquiries. The Division receives and evaluates citizen and interest group comments and protests concerning water use applications and transfers.

The Division coordinates with local governments regarding land-use plans and other state and federal agencies concerning proposed water allocation. The Division's process for the evaluation and issuance of a water right permit and certificate is prescribed by statute and rules.

Program Justification and Link to 10-Year Outcome

(Jobs and Economy Strategy 1) The WRSD supports sustainable business development by only approving new water uses that are sustainable. In the approval of water right permits, water has to be available at least 4 out of every 5 years. Issuing water rights that meet this standard, known as the 80 percent exceedance standard, provides new water right holders a level of reliability prior to investing in expensive infrastructure.

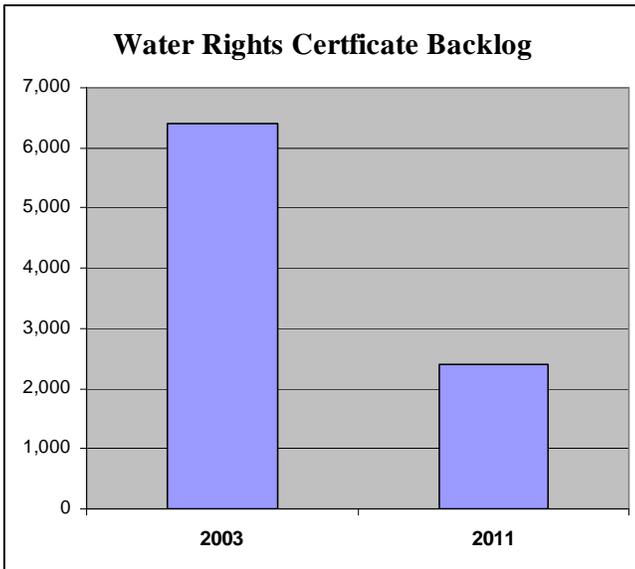
The WRSD has frequent contact with many of Oregon's key industries including: agriculture, food processing, nursery products, tourism, semiconductors, solar, wave energy and even wind energy. Water is a necessary ingredient for these business sectors to thrive.

This Division plays an integral part in implementing several key priority actions of the state's Integrated Water Resource Strategy. These efforts include revising informational materials to provide clearer guidance about how to use the agricultural and municipal Water Management and Conservation Plans and the Allocation of Conserved Water program. The results of local water resource planning would be handled administratively and then implemented by the WRSD.

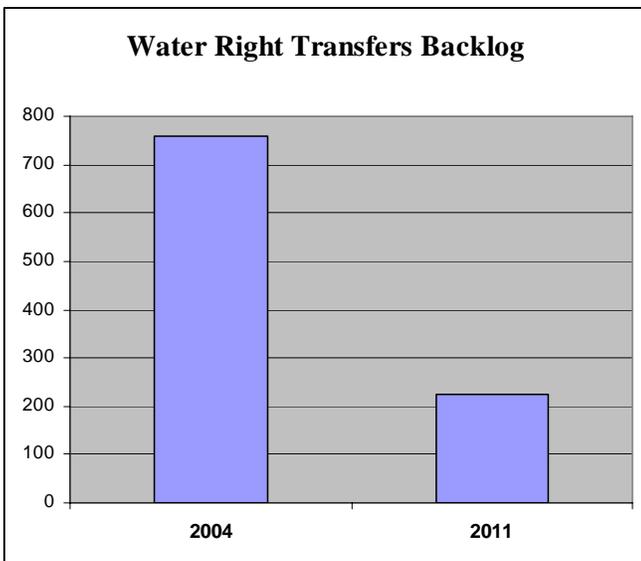
A 10-year Outcome for Jobs and Economy Strategy 1 is to increase water supply projects that lead to at least 20,000 additional acres of irrigated agriculture. The WRSD processes the water right applications that will allow Oregon to meet this goal.

(Jobs and Economy Strategy 2) It is critical to business and communities that we are able to process different types of water use requests in a timely and accurate manner. This is consistent with item 2.2 “Create a fertile economic environment in Oregon for all businesses.” A delay due to lack of funding or lack of staff resources in the WRSD can cause a business to have to delay its plans and may even allow a competitor a start-up advantage.

Program Performance



Securing a water right certificate is the final step in “perfecting” a water right. When issued, it provides greater management flexibility for the water user. By 2003, an extensive backlog had developed of more than 6,400 claims for certificates awaiting processing, with an annual processing rate of less than 400. To address this issue, the Department initiated several process improvement and backlog reduction strategies, including a Lean-Kaizen effort in late 2009. This, combined with the Department’s reimbursement authority program, reduced the backlog to about 2,400 by the end of 2011.



After receiving a water right certificate, water rights holders can then use “water right transfers” to change the point of diversion, place of use, or type of use. This allows water users to move water where it is needed, when it is needed. The backlog in processing water right transfers in 2004 was about 760 applications, rendering transfers a somewhat inefficient management option. To address this backlog, the Department instituted a “completeness check” when transfer requests first arrived, to catch and correct incomplete files as soon as possible. The Department also grouped transfers by type to speed processing. In late 2009, the Department completed a Lean-Kaizen effort to ensure that transfer applications were being processed as efficiently as possible. This led to additional efficiency measures. IT staff automated much of the work. As a result, the backlog in 2011 dropped to 224.

The Water Resources Department embarked on two efforts to improve process efficiencies still more.

Lean Kaizen. In 2009, the Department’s water rights, certificates, and transfer sections launched a “Lean Kaizen” process, designed to reduce the number of steps required to process these transactions, and reduce the number of person hours spent on each application. The Lean Kaizen process focuses on changes that can be made immediately and for low or no cost (e.g., redesigning forms that are easier to understand and use). The outcomes include better customer service, with paperwork and processes that are less complicated for the public and staff alike.

Efficiency Review Group. In addition, the Department has convened a group of outside experts, who are very familiar with Department processes and transaction programs. This diverse group represents a wide range of water use and environmental perspectives. Outcomes from this group involved recommendations for statutory, rule, and administrative changes; three such recommendations were enacted during the 2011 Legislative Session. This group of colleagues helped the Department build support for statutory efforts that resulted from their work.

This division has reduced waiting times and backlogs consistently over the last decade. The percentage of protests received, which are formal challenges to our proposed final orders, has averaged only 1.3 percent over the last 10 years. This means that nearly 99 percent of interested persons and entities, including applicants, do not protest the Department’s proposed decisions.

Enabling Legislation/Program Authorization

The division prides itself in strictly adhering to the enabling statutes that authorize the water right processes that we administer. We continue to seek amendments to statutes to allow for regulatory streamlining whenever possible. Following is a list of WRSD programs and their enabling ORS citations.

Water Right Transfers – Processing requests for changes (i.e., leases, allocations of conserved water or transfers). Transfers can include a change in place of use, type of use, or point of diversion. Both regular and expedited processes are available. Staff = transfer staff, field water right techs	ORS 536.050; ORS 537.120 to 537.360; ORS 537.525; ORS 540.520 to 540.580; ORS 537.455 to 537.500; ORS 540.510.
Water Right Permitting – Water right records and research, processing of new water right applications, permit extensions, certificates, and limited licenses. Both regular and expedited processes are available. Staff = permit & certificate writers, and protest coordinators.	ORS 537.097; ORS 537.799; ORS 536.050; ORS 537.130; ORS 537.120 to 537.360; ORS 537.135; ORS 537.211 to 537.252; ORS 537.525; ORS 540.520 to 540.580; ORS 537.153; ORS 537.797; ORS 537.621 to 537.628
Adjudication – confirming uses of water that pre-date Oregon’s 1909 water code. Staff = adjudications staff	ORS Chapter 539; ORS 539.010; ORS 537.665 to 537.700;
Hydroelectric Program – Coordinating agency for project re-authorization and FERC licensing, review of non-FERC applications. Staff = Hydroelectric staff	Oregon Constitution Article XI-D ORS 543.015; ORS 543.017; ORS 537.283

Funding Streams

Most WRSD programs are funded with applicants paying for half of the program costs with application fees and the remaining from General Fund. Until 2009, applicants paid approximately 30 percent of the costs, with 70 percent of the programs funded by the General Fund. One exception to this is the hydroelectric program, which is fully funded by an application fee and annual fees.

The fees related to each of the Department’s water right transactions are set in statute. This section of statute is scheduled to sunset in 2013. If this were to occur, fee levels would roll back to levels established in 2003,

resulting in the lay-off of half of the Department's staff of 13 permit writers. Part of the Department's budget proposal will be to re-authorize fee levels adopted in 2009, plus adjustments for inflation.

Significant Proposed Program Changes from 2011-13

The funding proposal requests 1) continuance of fee schedules that support 7 existing staff members who process water right transactions from across the state and 2) adds the ability for customers to pay for a change in water right certificate contact information.

WRD Pkg #207 Update Water Right Certificates with Contact Information \$370,402

Today, there are no statutory provisions that allow the name on a water right certificate to be changed, even if the holder of the certificate has passed away or sold off interests. There are about 85,000 water rights in Oregon today. The state needs the ability to respond to holders of water rights who are asking to modify the names on these certificates, especially in light of recent court cases, favoring the name written on a water right certificate over other factors. Such a change would facilitate other process efficiencies, such as communicating with water right holders, mapping water rights, updating the water right database, and improving compliance with measurement and reporting conditions. Such a change would involve a fee to pay for the required staff time. This request corresponds with Legislative Concept 658.

(IWRs Recommended Action 2d)

Funding: \$370,402 Other Fund fees

Staff: 2.0 FTE

WRD Pkg #208 Extend Water Right Transactions Fee \$1,000,000

The Department's fee schedule for water right transactions is scheduled to sunset in 2013. If it does so, fee levels will revert back to levels established in 2003. The current fee schedule funds about \$2.1M worth of work and 16 FTE in the Water Rights Division. A roll-back to 2003 levels would decrease both the funding and staffing levels by 7 FTE. The Department has worked with stakeholders to develop a Legislative Concept (LC 661) that would eliminate the 2013 sunset. Any reduction in fees levels from those described in Legislative Concept 661 will result in fewer staff available to process the applications received by the agency. This will cause wait times for processing to increase.

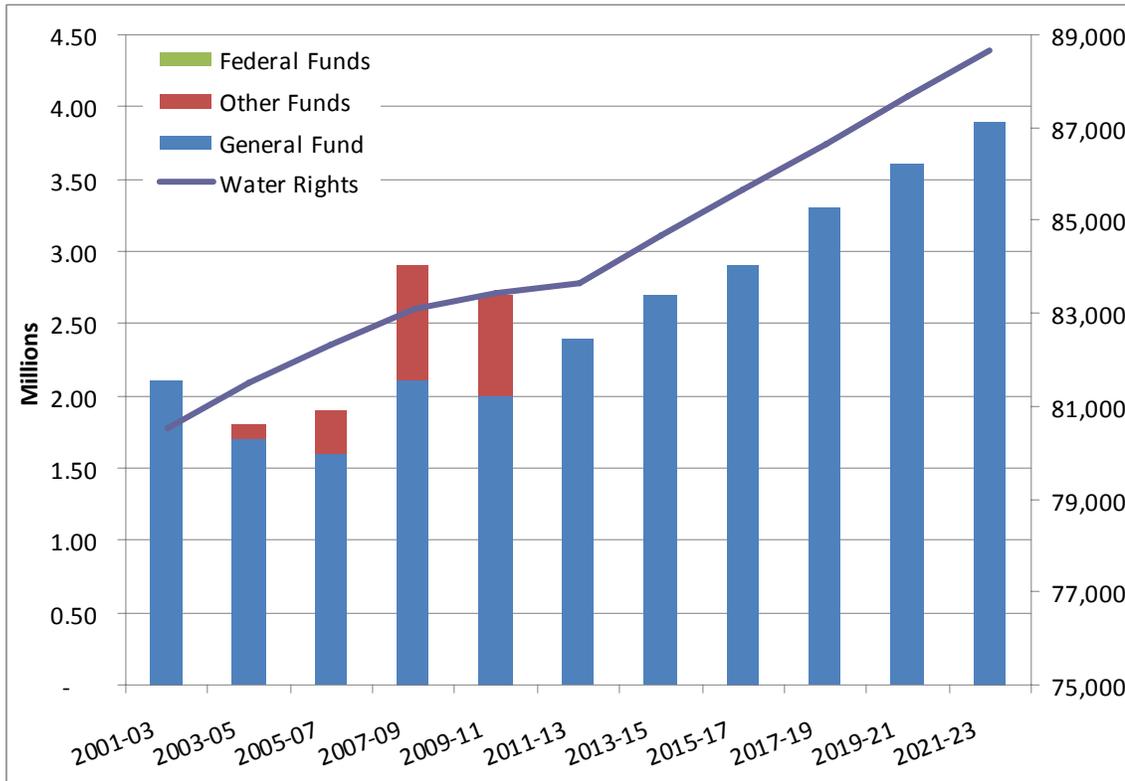
(IWRs Recommended Action 13b)

Funding: \$1,000,000 Other Fund fees

Staff: 7.0 FTE

Oregon Water Resources Department: Director's Office

Primary Outcome Area: Healthy Environment
Secondary Outcome Area: Economy and Jobs
Program Contact: Brenda Bateman 503-986-0879



Executive Summary

The Water Resources Department is Oregon's water quantity agency, managing the system of water allocation and distribution throughout the state. The Director's Office is responsible for developing and supervising the policies and programs that ensure water is managed according to Oregon Water Law.

Program Funding Request

Water Resources proposes to add \$250,000 in General Fund to existing budget authority to support the development of local place-based integrated water resources planning. This will complement other initiatives of the Department to implement the 2012 Integrated Water Resources Strategy.

Program Description

Mission. The Oregon Water Resources Department and its policy-making body, the Oregon Water Resources Commission, have a dual mission: to address Oregon's water supply needs and to restore and protect streamflows. This diverse and occasionally divergent portfolio serves to provide an appropriate balance to agency activity.

Stakeholders. Because of this, the Department's stakeholder groups are quite diverse, from out-of-stream water users such as industries, municipalities, agriculture, and domestic water users, to instream users, such as hydropower, fish and fisheries, water quality needs, scenic waterways, recreation, and transportation interests.

Government to Government Relations. Oregon is home to nine federally recognized tribes, all of which have responsibilities for protecting and managing water resources. Tribes are important partners in the resolution of water rights claims in basins throughout the West. The need to resolve tribal claims in Oregon are real and significant, and the Director's Office is responsible for these negotiations.

Communication. The Director's Office is responsible for the Department's communication with stakeholders and partners. This communication also extends to members of the Legislature, the public, and the media. The Director's Office communicates through a variety of means: face-to-face meetings, conference calls, web-based platforms, informational listserves, fact sheets, and public meetings that often coincide with the Water Resource Commission's quarterly meetings. These represent a high volume of interaction, year-round.



Long-Term, Integrated Water Resources Strategy (IWRS). The Director's Office is also responsible for developing and implementing Oregon's IWRS, an inter-agency blueprint for understanding and meeting the state's water needs. Limited funding was available to develop the state's Integrated Water Resources Strategy in 2009-11 and again in 2011-13. Resources were used to convene and manage the public process, oversee the scientific and technical work products, and develop and produce the content of the Strategy. The Water Resources

Commission adopted the Strategy in August 2012.

A strong set of recommended actions has emerged from discussions with advisory groups, stakeholders, partners, and the public. However, implementation will be questionable without dedicated funding. Implementation begins in Fall 2012 and will need coordination among state, local, federal, and private partners. The Water Resources Department is required to update the Strategy every five years.

Major Cost Drivers. Most of the Department's General Fund budget is dedicated to personnel. Effective distribution and management of Oregon's water requires trained experts in the fields of law / public policy, engineering, and science. In-house institutional knowledge, including local hydrology and hydrogeology is critical to the successful implementation of Oregon water law. The Department has analyzed whether external contractors or temporary employees could do these jobs for less cost. It has concluded that because of the need for long-term institutional knowledge and robust technical supervision; these needs are better met in-house, resulting in more accurate work at less cost.

Performance Improvement. The Director's Office has responsibility for continuous improvement in all program areas, but particularly in customer service, regulation, and data and information. A variety of techniques help us identify how we fare in these areas, including key performance measures (KPMs), internal process evaluation (LEAN-Kaizen), external stakeholder workgroups, and the biannual budget process.

Program Justification and Link to 10-Year Outcome

With well-informed input from water professionals and the public, the *Integrated Water Resources Strategy* offers a series of recommended actions that speak directly to all five strategies identified in the *Healthy Environment Policy Vision*. This bid form calls out two of the Healthy Environment strategies in particular: "Strategy #2: Invest in Programs that Conserve, Protect, and Restore Watersheds" and "Strategy #5: Improve Natural Resources Management and Address Resource Challenges."

Healthy Environments Strategy #2. Identifies one of its 10-Year Outcomes as the development of a statewide monitoring plan allowing cross-jurisdictional sharing of habitat and watershed improvement data. The

Integrated Water Resources Strategy calls for the Water Resources Department and its sister agencies to do this very thing, and the resulting budget request thus includes investments in monitoring equipment and personnel for data collection, processing, and data sharing. It also calls for improved training and technical resources for partners who help monitor and collect data. And, it calls for a deliberate and thoughtful process that allows state agencies to compare data needs and improve data coordination and collaboration in the future. Already, the Oregon Water Resources Department leads the western states in measurement and protection of groundwater and surface water resources. However, the Department requires additional and continuous information about these resources in order to make scientifically based decisions about water allocation and distribution.

Also among its 10-Year Outcomes, Strategy 2 calls for an increase in the percent of time instream flows are met. In recent years, this has stayed constant at 25 percent. The Water Resources Department uses a variety of tools to protect water instream on both a temporary and permanent basis. In 2010, more than 50 percent of streams regulated in Oregon were regulated to protect instream water rights. The Integrated Water Resources Strategy lays out a number of areas that will ensure greater strides in this area. Having up-to-date information and enough trained personnel to process and protect instream water rights is important to the success of this program.

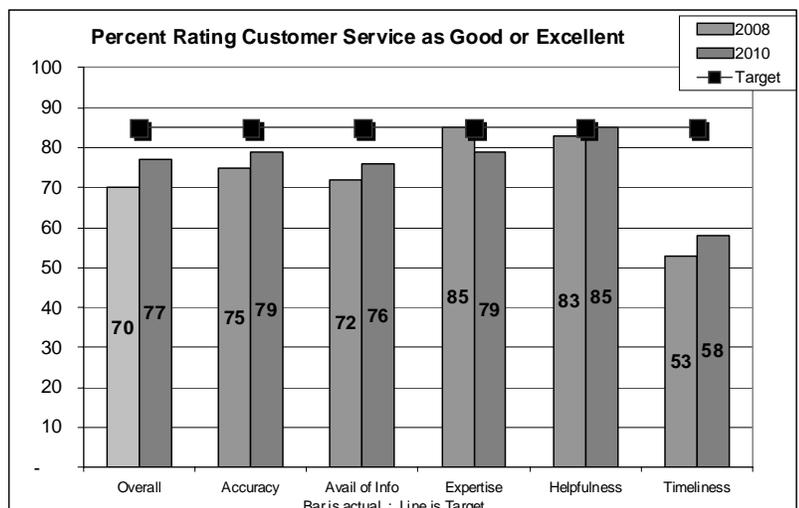
Healthy Environments Strategy #5. Among the 10-Year Outcomes, Strategy 5.1 aims to coordinate natural resources management plans. One of the major challenges of taking on an integrated approach to water planning is that in any given basin, there are multiple water-related plans, such as municipal or agricultural water management and conservation plans. There are fish recovery plans; habitat conservation plans; basin plans for water allocation; plans for improving water quality; local land-use plans, and more. The place-based approach envisioned in the Integrated Water Resources Strategy could help to reconcile and implement these plans more effectively.

Also among 10-Year Outcomes, Strategy 5.3 aims to empower communities. Every river basin in Oregon is unique with widely varying ecological, community, and economic dynamics. Because of this, place-based integrated water resource planning is vital to meet Oregon’s water management challenges, enabling communities to engage in a collaborative process on a local scale. These plans can then “roll up” to the statewide IWRS. The state, led by WRD, will develop a template for place-based planning, and will seek further grant funding and other incentives to assist with local planning efforts. This approach is meant to empower communities to conduct voluntary, place-based planning in consultation with the state.

Strategy 5.4 seeks to develop sustainable funding for environmental and natural resources efforts. The state’s responsibilities related to water allocation and distribution are underfunded and have been for years. The declining trend of investment must be reversed, in order to protect and develop Oregon’s water resources for future generations. The Oregon Water Resources Commission, the Department’s oversight body, has directed staff to develop more information related to potential additional revenues, such as annual water management fees, annual exempt use well fees, and 100 percent cost recovery programs. One important concern with any new funding source will be to ensure equity among all types of water users.

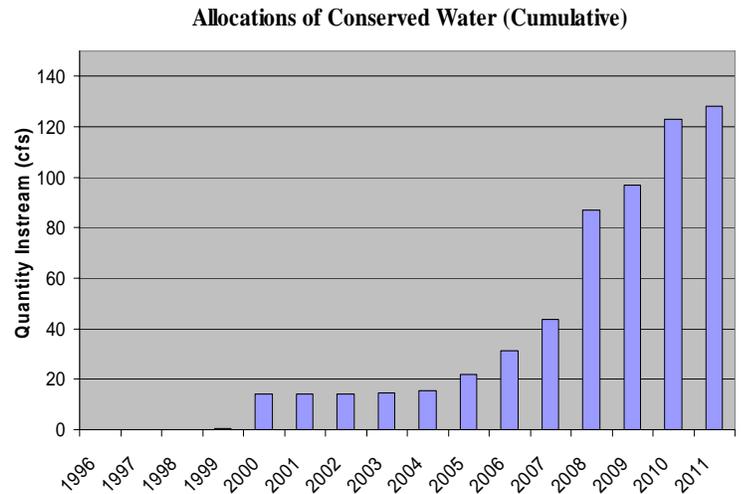
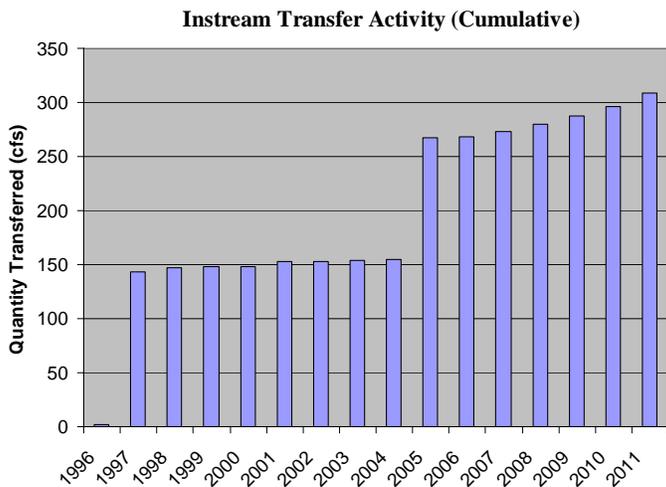
Program Performance

The Director’s office oversees the performance of the entire agency. Every two years the agency conducts a customer satisfaction survey to



determine how its performance is perceived by the public. The most recent survey, completed during July 2010, yielded strong and improved results. The goal is to have at least 85 percent of respondents rank the Department’s customer service as “good” or “excellent” in a number of categories. The Agency’s streamlining efforts and internal process improvement efforts over the past few years have paid off, with customers increasing WRD’s ratings in the areas of “timeliness,” “accuracy,” “availability of information,” and “helpfulness.” More than 1,700 customers qualified for this survey. The Department contacted 445 by phone. Two hundred and sixty, or 58 percent, responded.

Instream Successes. Oregon is a national leader in flow restoration, with more than 300 current instream leases, instream transfers, and allocations of conserved water that restore about 1,700 cubic feet per second (cfs) of streamflow for fish and wildlife, recreation, and pollution abatement.



The Department has approved 49 applications for allocations of conserved water, resulting in almost 130 cfs permanently protected and reserved temporarily instream. The majority of water put instream on a permanent basis through allocations of conserved water and instream transfers in Oregon is senior water, with certificates pre-dating Oregon’s 1909 water law.

Enabling Legislation/Program Authorization

Water allocation is the responsibility of the state. There is no federal back-up for this work.

Director’s Office – Policy and legal oversight, public records requests, public information / media, tribal and intergovernmental relations, staffing the Water Resources Commission, coordinating with the Oregon Legislature, rule-making, public hearings, special projects.	ORS 536.340; ORS 536.025; ORS 536.037; ORS 536.420; ORS 542.630; ORS 536.220; ORS 183.330; ORS 182.535; ORS 184.423/Executive Order 03-03; ORS 536.040; ORS 182.164; ORS 539.310
Develop Oregon’s Integrated Water Resources Strategy.	ORS 536.220

Funding Streams

Director’s Office activities are funded by the General Fund.

Significant Proposed Program Changes from 2011-13

The funding proposal increases this program area's resources by \$250,000 in General Fund to implement a portion of the Integrated Water Resources Strategy. Other complementary packages will be presented in the Technical Services Division's Bid Form.

WRD Pkg #104 Placed Based Planning – Template Development and Pilot Test **\$250,000**

Because every river basin in Oregon is unique with widely varying ecological issues, community values, and economic dynamics, place-based integrated water resources planning is vital to meeting Oregon's water management challenges. Such planning enables communities to engage in a collaborative process to determine how best to meet their unique instream and out-of-stream water needs.

Place-based planning allows conversations to take place at a scale that a statewide water strategy may not be able to achieve. Voluntary place-based plans can "roll up" and inform the statewide Strategy. Place-based plans can leverage technical and funding resources available through the Strategy to make more meaningful local impacts. This approach is meant to empower communities to conduct voluntary, place-based integrated water resources planning in consultation with the State.

In order to successfully take a place-based approach to water resources management, the State must develop a template of guidelines to ensure that plans are integrated, addressing instream and out-of-stream needs—including water quantity, water quality, and ecosystem needs. Plans should account for the interaction between groundwater and surface water. Plans should also delineate and describe local population centers, key industries, and listed fish species, among the many factors that influence the use and management of water. Plans should conclude by identifying water development projects that merit further effort.

The Department proposes a \$250K grant to one Oregon community, to build local capacity and ensure its ability to participate in this process as a full partner. This pilot will be used as a guide for future integrated water resource planning at the local level and provide feedback as to the utility of the template as a local planning tool.

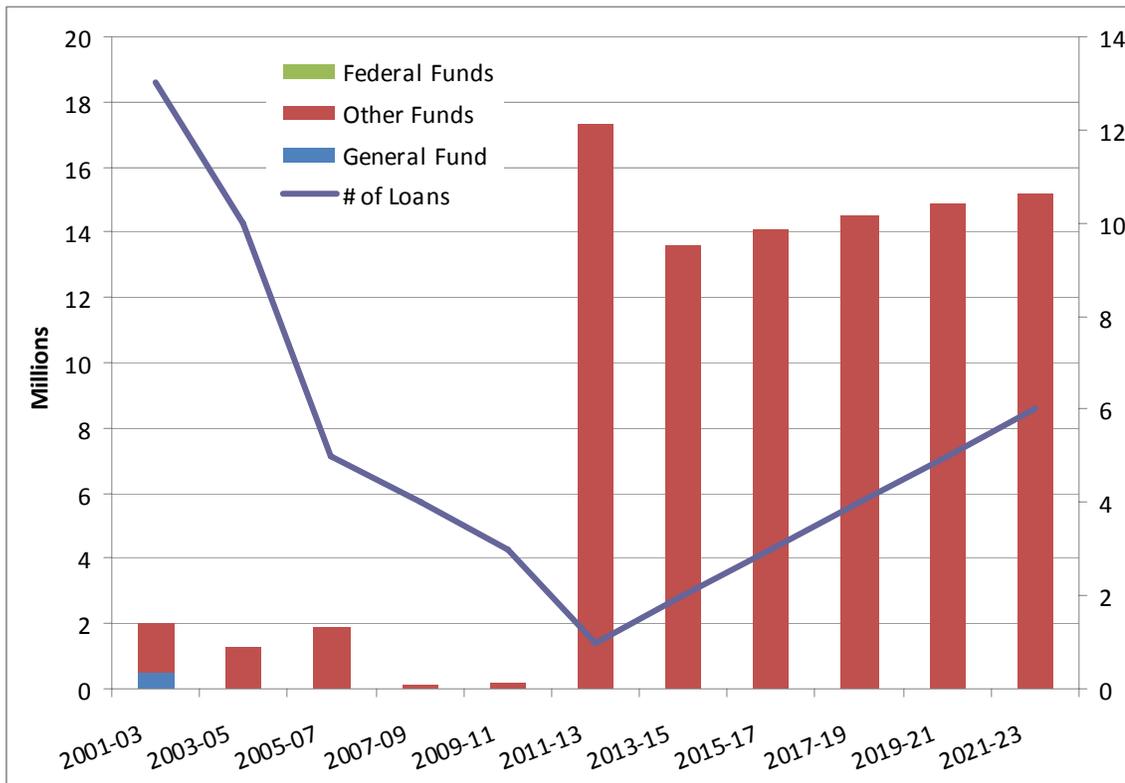
(IWRS Recommended Action 9a)

Funding: General Fund - \$250,000

Staff: -0- FTE

Water Resources Department: Water Development Loan Fund

Primary Outcome Area: Economy and Jobs
 Secondary Outcome Area: Healthy Environment
 Program Contact: Tracy Loudon 503-986-0920

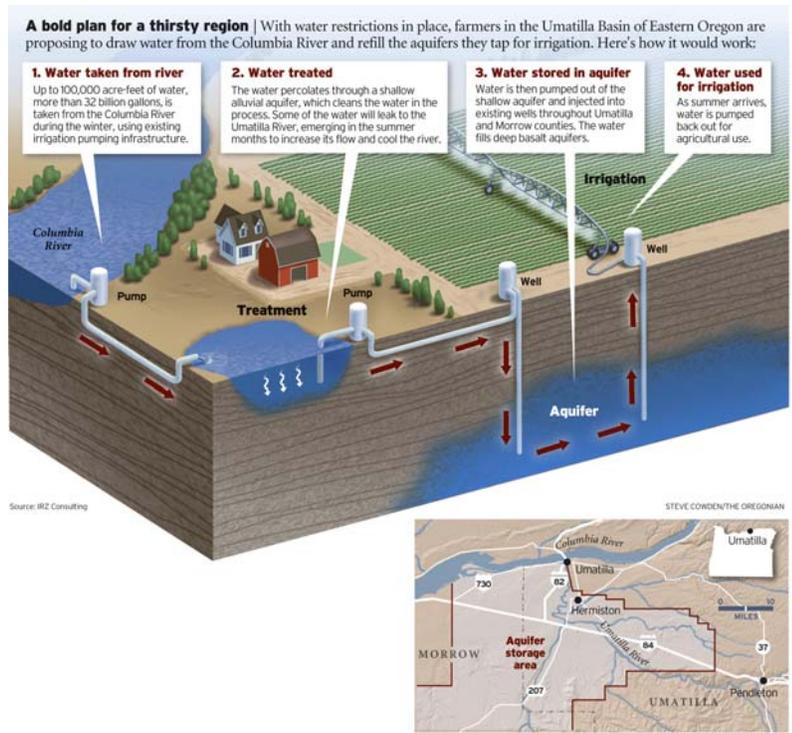


Executive Summary

The Water Resources Department is Oregon’s water quantity agency, managing the system of water allocation and distribution throughout the state. The Water Development Loan Program was enacted by the 1977 Legislature to finance irrigation and drainage projects. The recent increase in expenditure authority comes from the Umatilla Basin project where the Department is authorized to loan up to \$15 million to fund an aquifer recovery project in the Columbia River Basin that will substantially increase the agricultural production of the region.

Program Funding Request

Water Resources proposes to continue to support the availability of up to \$10 million in funding



from bonding to provide loan funds to the Umatilla Aquifer Recovery Project. The proceeds of the bond would be repaid by the Umatilla project operational revenue.

Program Description

Current projects

The Umatilla Basin Regional Aquifer Recovery Project, described more fully under other Department programs has tentative plans to borrow \$10 million during the 2013-15 biennium for project build-out. Initial estimates of the full build-out place the regional economic benefit at \$100-\$300 million and an increase of 700-2,000 jobs. The Basin's gross farm sales in 2006 accounted for 12 percent of the State's total gross farm sales, second after Marion County.

History

The Water Development Loan Program was enacted by the 1977 Legislature to finance irrigation and drainage projects. The legislation was referred to the voters and received approval in 1977 for inclusion into Oregon's Constitution. The 1981 Legislature amended ORS 541.700 - 541.855 to expand the use of the program to include community water supply projects as a third primary use. The addition required a constitutional amendment, which was approved by Oregon voters in 1982. The 1987 Legislature amended ORS 541.700 - 541.855 to expand the authority of the program to make loans for fish protection and watershed enhancement. In May, 1988 the constitution of the State of Oregon was amended by a vote of the people, in order to make the changes effective.

Over its life, the Water Development Loan Program has reviewed 320 applications and funded 181 loans, worth about \$32 million. 176 of these loans were for irrigation and drainage projects and five were for development of community water supply systems. No bonded debt was issued nor loans made during the last biennium. The program has no state-owned property or inventory. There is currently only one loan outstanding for under \$100,000; this loan comes due in 2017.

SB 5505 (2009) established authority to issue bonds in the amount of \$10 million in 2009-11 and \$15 million in 2011-13 to fund water development projects in the Columbia River Basin. Thus far, projects have not utilized this bonding authority.

HB 3369 (2009) made changes to update the loan program:

- Water Development Projects, by definition, will include projects that maintain and enhance water quality and streamflow.
- Expands definition of security for loan to include "or by other good and sufficient collateral."
- Expands the potential for fees, and reimbursed costs from applicants.
- Provisions for projects in the Columbia River Basin.

Program Justification and Link to 10-Year Outcome

The Water Development Loan Fund program provides an opportunity for loans to develop water projects that will benefit the economic vitality of existing and new businesses in Oregon. These projects are typically characterized by a strong local economic need to stabilize a source of water for agricultural development, municipal use, or emerging business that relies on water as a reusable natural resource (food processing, semiconductors, and cooling for large technology applications that require cooling of servers such as those that serve the internet).

Enabling Legislation/Program Authorization

This program is operated under authorization provided in Article XI-I(1) of the Oregon Constitution and in ORS 541.700-541.855.

Funding Streams

The primary funding source is Other Funds from Bonds issued for the purpose of making loans. Those loans are repaid over the course of 20-30 years by loan recipients.

Significant Proposed Program Changes from 2011-13

WRD Pkg #205 Water Development Loan Fund – Umatilla Project

\$11 million

The 2009 Legislature authorized General Obligation bonds in the amount of \$10 million during the 2009-11 biennium and \$15 million during the 2011-13 biennium for the implementation of water development projects in the Columbia River Basin. The Umatilla Basin Aquifer Recovery Project has successfully provided “water on the ground” and proven the viability of the aquifer recharge project. The Umatilla Basin Water Commission has requested that the bonding authority be deferred until 2013-15 in the event that they find it beneficial to use the Water Development Loan Fund to finance the next phase of the project.

(IWRs Recommended Action 10b)

Funding: \$11,061,191 Bonds (Article XI-I(1))

Staff: -0- FTE