



OREGON
ASSOCIATION OF
NURSERIES

Testimony before the House Energy and Environment Committee
House Bills 2705 – relating to water measurement
House Bill 2706 – relating to imposing an annual water right fee
House Bill 2707 – relating to ground water studies
By Jeff Stone, Executive Director, Oregon Association of Nurseries
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Chairman Helm, Vice-Chairs Power and Johnson, members of the committee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. My association appreciates the opportunity to discuss issues surrounding House Bills 2705, 2706 and 2707 relating to water.

The Economic Footprint of the Nursery and Greenhouse Industry

The nursery and greenhouse industry is the state's second largest agricultural sector, and ranks as the third largest nursery state in the nation, with over \$894 million in sales annually to customers in Oregon, the rest of the United States, and abroad. In fact, nearly 75% of the nursery stock grown in our state leaves our borders – with over half reaching markets east of the Mississippi River. We send ecologically friendly green products out of the state, and bring traded sector dollars back to Oregon.

Nursery association members represent wholesale plant growers, Christmas tree growers, retailers, and greenhouse operators. Our members are located throughout the state, with our largest nursery growing operations found in Clackamas, Marion, Washington, Yamhill and Multnomah Counties.

Water is the lifeblood of our industry

Our members depend on reliable access to clean, plentiful water to irrigate their plants. Our members have spent generations as stewards of the state's natural resources. We believe that economic vitality can go hand in hand with sustainability and long-term environmental health. We are deeply committed to a forward-looking state water policy that recognizes the importance of investing in our state's water future for the benefit of all our citizens.

The Nursery and Greenhouse industry is a committed leader on water policy

The OAN and many other organizations have been working hard over the past several years to educate all communities about the need to establish sensible water policy for the benefit of

farms, fish and families, and to avoid a winner-take-all scenario. The last decade has been a wakeup call and it is incumbent on the leadership of this state to examine issues such as measurement – both in line with the issues outlined in House Bill 2705 and 2707 and the best way to pay for the services the Water Resources Department provides – ostensibly what House Bill 2706 tries to address. The effects from the last five years of drought conditions were far-reaching and brought much needed attention to the critical issue of water supply in Oregon. While Oregon has seen significant rain over the past few months, the issue facing the state in the coming years should not be ignored.

Oregon Legislature action is critical

The OAN has been a strong proponent of integrating the development of new water storage with conservation incentives. Our industry has been using both tools to meet both short-term and long-term water supply demands, and we believe that they are critical to drought adaptation and proper water management in the state in the future.

Water is not simple and it will take many steps to create solutions

Oregon must wisely invest dollars while ensuring that state funded projects provide economic, environmental, and social benefits without making funding decisions overly burdensome. Investing in Oregon's water supply and properly funding important programs will ensure that future generations have adequate water supplies that support thriving communities, flourishing industries, and healthy ecosystems.

The state needs to discuss and recommend tools, data needs, quantification of the impact of drought on industries, and how best to craft an emergency response capacity (both in policy and financially) to foreseeable and unexpected water problems. We are a water dependent industry and it is in the nursery and greenhouse industry's best interest to be part of a solution instead of bracing for a problem.

House Bill 2705 - water measurement needs to be about healthy streams and cost-share

The nursery industry supports a measurement bill that would help support good water resources management—especially in areas where it would be most valuable. There have been numerous efforts since 2000 to identify those watersheds in the state where the state and stakeholders can leverage limited financial resources for the greatest impact in the watersheds of greatest concern. The OAN supports the Water Resources Department's efforts on this well-reasoned effort – to succeed we will need to find common ground on cost-sharing provisions and utilizing the information to effectively manage our water resources.

We believe HB 2705 should lend support to the Department's existing measurement initiative without expanding measurement and reporting obligations to water users in portions of the state where the expenditure of limited resources would be of limited value. The concern that must be addressed is the creation of significant new measurement reporting requirements for existing water right holders across the state. It is our view that this bill should address a crucial shortfall in Oregon's water data—information regarding actual streamflow. Instead, many pieces of this bill place the focus on individual water users. To manage our state's water resources, we need to understand what is happening in the streams themselves—not just at the individual diversions.

We are willing to work closely with the legislature to create a measurement system that does not unfairly burden individual water right holders, takes into consideration cost-share opportunities for agricultural producers, does not create water right forfeiture issues, and that generates data that will be useful in effective water management. We believe such a system is achievable, but HB 2705 is not the right approach.

House Bill 2706 – Annual Water Right Fee

The OAN took a strong stand against the water right fee bill in 2009 that embodied many of the same issues raised in House Bill 2706. We are committed to enter into serious discussions about the short-term and long-term funding mechanisms that would support a functional, mission critical focused, Water Resources Department. However House Bill 2706 will not achieve those goals.

Facing cuts in core programs, fee for service and examination of a pathway to fund a critical agency must be on the table. There are several things that make House Bill 2706 a challenge for the nursery and greenhouse industry – 1) there is not improved service for the fee incurred; 2) there is no mechanism to ensure that the funds gathered would be used in the basin of origin; 3) the ability to correctly assign water rights to the proper owner needs significant work prior to the passage of this bill, which will be an expensive undertaking; and 4) we have significant concerns that dollars raised by this fee will receive a commensurate cut in general fund dollars for the water agency.

This bill would impose a \$100 biennial fee per water right holder with a \$1000 cap for those who hold multiple water rights. It contemplates a \$2500 cap for municipalities, special districts, irrigation districts or utilities. Spreading a fee base across a wide array of stakeholders is worth considering since all Oregonians benefit from the Water Resources Department's services. However, because WRD serves both water right holders and the public interest, we believe a significant portion of WRD's funding should continue to come from the General Fund. In our view, the bill as currently drafted does not accumulate dollars that would be directly attributed to increasing or maintaining the level of service or reducing the number of backlogged water right certificates, permits and transfer requests.

We also have a very significant concern that the funds raised by such a fee would not actually result in a net increase of funds available to WRD. As we have seen in the past, when times are tough, the Legislature will not hesitate to sweep agency funds into the general fund pot. This bill lacks the protections necessary to ensure that fees collected from water right holders will be available exclusively to WRD to fund its operations. If the purpose of the bill is to help WRD

develop a revenue alternative to the general fund, the fees generated under this proposal must be protected in a dedicated fund that cannot be swept during times of economic crisis.

The contemplated fee will also be very difficult and expensive to administer. OAN submits that WRD would have a difficult time identifying the person who owns the property, the current holder of a water right, the underlying property owner or the user of the water as would be necessary in order to administer the proposed fee. In fact, the ownership information on file at WRD is often multiple generations out of date. It is worth considering investing in WRD's capacity to bring itself current and be able to contact the appropriate person. As a matter of reason – it will take a lot of effort to obtain this data, let alone fill a budget hole.

There are and will continue to be concerns about this method of funding the WRD. However, we would encourage this committee to create a task force to continue a conversation about the long-term funding of the Water Resources Department. There is already a good example of an agency that blends fees and general fund, involvement in core areas by its customers and stakeholders, and that is the Oregon Department of Agriculture. We urge you to carefully consider and evaluate all policy and revenue bills that impact the core function of the Water Resources Department. Certainly there will be controversy and conflict. However by engaging those who are the customers of this essential agency – you will find collaboration.

House Bill 2707 – Groundwater studies

The OAN appreciates the intent of House Bill 2707 – which would increase funding for groundwater studies. This is a difficult fiscal climate to request additional funding, However the issues at hand are worth a targeted approach and use of data that is integrated to achieve statewide goals. This is an area where we believe that federal dollars may be able to be leveraged to achieve an accelerated funding cycle for priority areas around the state. We urge the legislature to create a work group to examine the data gaps, potential areas of federal funding to match state dollars and establish priority areas.

The OAN appreciates the opportunity to comment on the three water bills before the committee this afternoon. We are serious about the hard work that still needs to be done to address the issues raised by these bills, and we are committed to doing our part to create a set of sensible water policies for your consideration in a future legislative session.