Report to the

Washington State Governor and Legislature

from the

WATER RESOURCES ADMINISTRATION AND FUNDING

TASK FORCE

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The WSU-UW Policy Consensus Center provided convening and staff support
for the Task Force and the Department of Ecology provided
essential data, information and technical support.

Materials reviewed by the Task Force can be viewed on the
Water Resources Administration and Funding Task Force Website at:
http://depts.washington.edu/wsuuwpcc/fundingtf/index.php

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Agriculture	**Tom Myrum**, Executive Director, Washington State Water Resources Association (primary) **Michael Schwisow**, Government Relations Consultant, Schwisow & Associates (alternate)
Cities	**Bob Mack**, Cities Representative, Smith Alling Lane (primary) **Dave Williams**, Municipal Policy Associate, Association of Washington Cities (alternate)
Counties	**Don Munks**, Skagit County Commissioner, Skagit County (primary)[1] **Frank Brock**, Franklin County Commissioner, Franklin County (alternate)
Environmental	**Josh Baldi**, Policy Director, Washington Environmental Council
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Industry	**Kathleen Collins**, Government Relations Consultant, Capitol Strategies (primary) **Kristen Sawin**, Governmental Affairs Director, Association of Washington Business (alternate)
Power Utilities	**Bill Stauffacher**, Power Utilities Representative, Stauffacher Communications
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Western Washington Tribes	**Dave Fuller**, Water Resources Manager, Port Gamble S'Klallam Tribe

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Agency Support

Special thanks to **Benno Bonkowski** and **Ken Slattery** of Washington Department of Ecology for significant assistance in preparing much of the requested data, budgets and charts contained in this report.

[1] Don Munks withdrew from the Task Force in November, 2004.

Executive Summary

The Water Resources Administration and Funding Task Force (Task Force) was created by the Washington State Legislature through a proviso contained in the 2004 Supplemental Operating Budget. As directed by the proviso, the Department of Ecology requested that specified interest groups identify representatives to participate on the Task Force. It also invited the WSU-UW Policy Consensus Center to facilitate the meetings and provide staff support for the effort. During the nine meetings of the Task Force held between August and December 2004, the group collected and reviewed water resources program information, budget data and funding source data pertinent to the Task Force's charge. This information is presented in Sections 3 through 7 of the report. Based on this information, the Task Force developed a set of findings and conclusions (Section 2) designed to guide policy makers in developing a funding package for both operating and capital support. The report does not present options and recommendations for future funding.

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1 Introduction and Purpose

1.1 Legislative Authorization

The Water Resources Administration and Funding Task Force (Task Force) was created by the Washington State Legislature through a proviso contained in Section 301 (20) of the 2004 Supplemental Operating Budget, which states:

> Within the amounts appropriated in this section the department shall convene and provide staff support for a water resources administration and funding task force. The task force shall develop proposals for and recommend several options for funding the state's water resource programs, including both operating programs and capital costs for water program implementation. The task force must report its findings and recommendations to the governor and the appropriate committees of the legislature by December 15, 2004. The task force shall include representatives of each of the following interests, selected by the associations representing those interests:
> (i) One representative from each of the following interests: Agriculture, industry, environmental, fisheries, water utilities, and power utilities;
> (ii) One representative of cities and one representative of counties;
> (iii) Two representatives of Indian tribes, one from eastern Washington and one from western Washington;
> (iv) Three representatives of the executive branch of state government; and
> (v) The department of ecology shall invite a representative of the United States Bureau of Reclamation to participate as a member of the task force.

1.2 Task Force Membership

Task Force members were selected by the associations representing the interests identified by the budget proviso. In some cases, a primary and an alternate representative were identified. The Task Force interests and their representatives were as follows:

- **Agriculture**: Tom Myrum, Washington State Water Resources Association (primary); Michael Schwisow, Schwisow & Associates (alternate)
- **Cities**: Bob Mack, Smith Alling Lane (primary); Dave Williams, Association of Washington Cities (alternate)
- **Counties**: Don Munks, Skagit County Commission (primary)[2]; Frank Brock, Franklin County Board of County Commissioners (alternate)
- **Environmental**: Josh Baldi, Washington Environmental Council
- **Fisheries**: Todd Ripley, The Wild Steelhead Coalition
- **Industry**: Kathleen Collins, Capitol Strategies (primary); Kristen Sawin, Association of Washington Business (alternate)
- **Power Utilities**: Bill Stauffacher, Stauffacher Communications

[2] Don Munks withdrew from the Task Force in November, 2004.

- **State Government (3 representatives)**:
    - Linda Crerar, Washington Department of Agriculture (primary); Greg Wright, Washington Department of Agriculture (alternate)
    - Carl E. Samuelson, Washington Department of Fish and Wildlife
    - Joe Stohr, Department of Ecology
- **U.S. Bureau of Reclamation**: Jim Blanchard, U.S. Bureau of Reclamation
- **Water Utilities**: Scott Hazlegrove, Washington Association of Sewer & Water Districts (primary); Hal Schlomann, Washington Association of Sewer and Water Districts (alternate)
- **Western Washington Tribes**: Dave Fuller, Port Gamble S'Klallam Tribe

While the budget proviso stipulates that a representative from Eastern Washington Tribes should be part of the Task Force, attempts to identify a representative were unsuccessful.

1.3 Task Force Operations

Task Force members met nine times between August 9, 2004 and December 15, 2004 to pursue their charge as stipulated by the legislature (see Appendix 2 for meeting dates and locations). All meetings were open to the public. Under contract with the Department of Ecology, facilitation and staff support for the Task Force was provided by the WSU-UW Policy Consensus Center (Appendix 9).

During Task Force meetings, members requested and reviewed more than 60 information items pertinent to understanding water resources programs, expenditures and funding.[3] These items related to water resources operations and capital programs; past, present, and projected budgets for water resources operations and capital programs; and past and present sources of funding for these programs. The Task Force also reviewed fee programs within Ecology – especially water rights administration and water right permit application fees – and compared these with data from other western states. Following this review, the Task Force developed a set of findings statements summarizing the challenges and essential issues to consider when developing a funding package. It also developed a set of summary conclusions based on these findings designed to guide policy makers in developing a funding package to support the state's water resources operating and capital needs.

Meeting agendas, meeting summaries, and all information materials reviewed by the Task Force were placed on a public website supported by the UW-WSU Policy Consensus Center: http://depts.washington.edu/wsuuwpcc/fundingtf/index.php.
This site can also be reached from Ecology's Water Resources Program website: http://www.ecy.wa.gov/programs/wr/wrhome.html.

1.4 Historical Note: The 1993-94 Water Rights Fees Task Force

In the 1993 regular legislative session, a task force was established by the legislature (RCW 90.03.470) to "review the water rights program, to make recommendations for streamlining the

[3] The vast majority of this information was assembled or developed by Department of Ecology staff Benno Bonkowski and Ken Slattery.

application process and increasing the overall efficiency and accountability of the administration of the program, and to return to the legislature with a proposal for a fee schedule where the fee levels relate clearly to the costs of services provided." The charge of the 1993-94 task force differed from the 2004 Water Resources and Administration Task Force in that its charge was narrower and focused solely on the water rights program, whereas the 2004 Task Force's charge covers the operating and capital components of the state's entire water resources program (including water rights administration).

The 1993-94 task force was composed of fourteen members, including four legislators and representatives of identified interest groups. Two members of the 2004 Water Resources and Administration Task Force were also members of the 1993-94 task force.

Among the 1993-94 task force's charges was to "Propose a new fee schedule for the water rights program which incorporates the results of the task force's work and which funds through fees fifty percent of the cost of the activities and services provided by the program." This charge was consistent with a budget proviso from the adopted 1993-95 operating budget, which read:

> For fiscal year 1994, $3,750,000 of the general fund – state appropriation is provided to administer the water rights permit program. For fiscal year 1995, not more than $1,375,000 of the general fund – state appropriation may be expended for the program unless legislation to increase fees to fund fifty percent of the full costs of the water rights permit program, including data management, is enacted by June 30, 1994. (SSB 5968, Section 303 (8))

The Water Rights Fees Task Force produced a report in January 1994 recommending administrative changes to increase permit processing efficiency and a fee structure designed to fund fifty percent of the water rights program. Legislation incorporating the recommendations[4] was considered by the legislature in 1994 but was not approved.

1.5 Content and Organization of the Report

The report contains two broad categories of information: 1) Findings and conclusions of the Task Force; and 2) Program, budget and funding source information pertinent to the state's water resources programs.

Findings and conclusions of the Task Force are found in Section 2. These points identify items fundamental to understanding the context within which decisions on funding policies and options must be made. They provide key statements regarding the overall context of water resources in the state; operations revenue and water right permitting fees and operations; and capital projects. Based on these findings, summary conclusions are drawn.

Water resources program, budget, and funding source information pertinent to developing a funding package is provided in the remainder of the report. Section 3 provides a snapshot of the state's current water resources programs, including operating and capital programs housed in Department of Ecology, Department of Fish and Wildlife, and Department of Health. Section 4 presents operations programs, expenditures, and funding sources and Section 5 presents capital programs, expenditures and funding sources. The report then focuses on two areas of water

[4] Second Engrossed Second Substitute Senate Bill 6291, heard 1994 Regular Session, 53rd Legislature.

resources program operations: water rights administration (Section 6) and water rights adjudication (Section 7). The report does not present detail on other functional areas of the water resources program nor does it present options and recommendations for future funding.

2 Findings: Key Challenges in Developing a Funding Package

The Task Force reviewed a broad range of information and data regarding water resources programs and their structure, operation, performance and funding. There was also a brief consideration of experience in other western states. Based upon this information, the Task Force has identified the following "findings" as fundamental to understanding the context within which decisions on funding policies and options must be made.

2.1 General Context

1. Water resource management is a critical element for the social, economic, environmental, public health and cultural benefits contributing to the quality of life in Washington State.
2. Water resources are managed in the context of increasing complexity, competing interests and growing and changing demands. These include:
    - A complex policy, legal and management system based on history, rights and adjudication
    - Unresolved historic water rights claims
    - Actual and potential costs and impacts of litigation
    - The Endangered Species Act
    - Hydropower relicensing
    - Economic development
    - Tribal rights
    - Population growth
    - Land use changes
    - Climate change
    - Changing social values
3. The operating and capital costs of managing and allocating water resources are unlikely to decrease.
4. A large percentage of the Department of Ecology's Water Resources Program is not and has not historically been fee-supported.
5. The management of water resources resides primarily in the Department of Ecology but also includes programs in other agencies such as the Washington Department of Fish and Wildlife and the Washington Department of Health.
6. Watershed Plans, many of which are projected for completion within the next three years, are expected to result in widespread and substantial requests for operating and capital funds. (The most populated areas of the state are not currently engaged in watershed planning programs under Chapter 90.82 RCW).

2.2 Operations Revenues: Overview

The Department of Ecology's Water Resources Program charges fees for some of its activities. Besides the fees for processing a water right permit that are discussed in the next section, these fees include:

1. Dam Construction and Inspection Fee: Fees collected equal approximately 4% of FY 2004 direct dam safety program costs and are projected to be over 30% with a newly adopted (by rule) fee structure.

2. Hydropower License Fees: Fees contribute 91% of Ecology's share of costs for the US Geological Survey (USGS) cooperative stream gauging program and the percentage covered by fee revenue is declining due to inflation.
3. Well Construction and Inspection Fees: Fees contribute 95% of program costs.
4. Water Well Operator's (Well Drillers) License Fee: Fees contribute 100% of program costs.

The Dam Construction and Inspection fees and the Water Right Permit fees are deposited into the general fund (Fund 001-1). Hydropower License fees, Well Construction and Inspection fees, and Water Well Operator's License fees are deposited into the state Reclamation Revolving Account (Fund 027-1).

2.3 Operations Revenues: Water Right Permits

1. 35% of Ecology's Water Resources Program cost (approximately $11 million per biennium) can be attributed to water right permit issuance (new rights; changes and transfers of existing rights).
2. Fees generated through water right permit applications (new, changes, transfers) support about ½ % of the $11 million cost.
3. Several factors constrain the ability of water right permit fees to cover permit issuance costs:
   - Application fees have already been paid on many of the applications waiting to be processed.
   - As a matter of equity and law it may be difficult to levee new fees on permits now being processed.
   - The complexity of water right decisions limits the pace of processing.
   - There is unlikely to be a significant increase in the number of permit applications.
   - Existing water permit application fees are levied on a one-time basis.
4. Washington State water right permitting and process fees were established by statute (RCW 90.03.470) in 1917. Some fees (such as for mapping) have become an anachronism and are no longer collected. Changes in these fees require legislative changes.
5. County-appointed Water Conservancy Boards are authorized to process water right changes and transfers and to establish and charge a fee for these services. They operate in many, but not all parts of the state.
6. An applicant may also use a cost reimbursement process if the applicant agrees to pay for processing the applications of those ahead of him or her in the same water body.
7. Exact comparison of water permit systems is difficult; a survey of fees charged for processing water right permits in other western states reveals:
   - A majority of the funding for water permit processing comes from general fund revenues. (General fund support in most western states ranges from 54% to 100%)
   - A minimum fee
   - An increase in fee levels based upon volume of water
   - Some western states have revised their fee structures in recent years. California recently adopted an annual water use fee; Colorado recently adopted and subsequently repealed an annual water use fee.

2.4 Capital Projects

1. Current capital programs include:
   - Water supply
   - Drought preparedness
   - Water right acquisition
   - Irrigation efficiencies
   - Water storage
   - Water conveyance infrastructure
   - Metering
2. The scope and size of water resource capital projects are not clearly defined. However, there is the potential for proposed projects to reach billions of dollars. In addition to the factors contributing to the complexity of water resource management listed above (2.1, #2), capital programs are affected by factors including the following:
   - Watershed planning
   - Mitigating new water withdrawals
   - Homeland security
   - Environmental, economic, and local infrastructure issues, needs and wants
3. Most State-funded water resource capital projects have been paid for with General Obligation Bonds.
4. Some State sources currently funding capital projects are depleted or expiring, including:
   - Referendum 38 (Agricultural Water Supply Bond Funds)
   - Drought Preparedness Account
   - Emergency Water Projects Revolving Account
5. There are indications that federal funding will decrease in the future.

2.5 Summary Conclusions

The Task Force draws the following conclusions based upon these findings:

1. Some level of State general fund revenues will continue to be required and appropriate to fund the state's water resources programs.
2. Despite the small amount of revenue that increased water right permit processing fees would generate relative to program costs, updating fees may be appropriate.
3. Clarification of water policy and strategic planning for implementation will help create a more successful water management system for Washington State.
4. Unless capital needs can be identified more precisely and quantified in the near and medium term future (10 years), it is difficult to identify appropriate funding sources and evaluate their economic impact. In addition to the factors identified in the findings:
   - The size of capital needs will depend, in part, on legislative policy choices
   - Response to federal and state mandates, compliance with existing laws and the threat of litigation will also drive capital costs.
5. Developing a long term state capital funding strategic plan for water projects and activities would be beneficial to successful water management within Washington State.

6. For economic efficiency and taxpayer value, it is important that capital funds be capable of leveraging additional funds through cost-share and matching programs and payment by primary beneficiaries. Smaller systems may require different matching requirements.
7. For adjudications of limited duration and complexity, the legislature may wish to consider the possibility of partly funding such adjudications through claimant fees.

3 Washington State Water Resources Budget and Programs

The programs and activities composing the state's water resources programs reside primarily within three state agencies: Department of Ecology, Department of Fish and Wildlife, and Department of Health. This report focuses primarily on programs within the Department of Ecology. Water related activities housed in other agencies are presented in memos included in Appendices 5 and 6 of this report.

The FY 2003-05 operating budget for the Department of Ecology's Water Resources Program is $32,123,000, which supports 141.1 full time equivalent (FTE) staff (Figure 1). The capital budget for the Water Resources Program is $35,976,649. Operating and Capital budgets will be considered in more detail in subsequent sections of this report.

Water resources program operations housed in the Department of Fish and Wildlife total $2,080,000 and support 11.5 FTEs (Figure 2). Water resources program operations housed in the Department of Health total $1,066,000 and support 7.0 FTEs (Figure 3).

Taken together, water resources program operations of the three agencies have a budget of $35,269,000 and support 159.6 FTEs (Figure 4).

Figure 1: Ecology's Water Resources Budget: FY 2003-05 Biennium

Department of Ecology Water Resources Budget

OPERATING BUDGET

Water Resources Program Functions		FY 2003-05 Biennium
Water Rights Administration*	Funding	$ 11,392,000
	Staffing	62.8
Enforcement/ Compliance	Funding	$ 1,172,000
	Staffing	7.3
Well Construction Inspection and Licensing*	Funding	$ 1,293,000
	Staffing	7.2
Water Rights Adjudications	Funding	$ 2,915,000
	Staffing	12.5
Dam Safety/ Engineering*	Funding	$ 1,927,000
	Staffing	7.8
Information Management	Funding	$ 3,558,000
	Staffing	17.9
Instream Flows	Funding	$ 2,783,000
	Staffing	9.4
Watershed Support	Funding	$ 1,749,000
	Staffing	9.6
Water Use Efficiency	Funding	$ 4,395,000
	Staffing	6.2
Drought Activities	Funding	$ 939,000
	Staffing	0.4
Totals	Funding	$ 32,123,000
	Staffing	141.1

CAPITAL BUDGET

Water Resources Program Functions	FY 2003-05 Estimate
Agriculture Water Supply	$ 4,525,000
Drought Preparedness	$ ---
Water Acquisition	$ 4,329,000
Irrigation Efficiencies	$ 7,122,649
Water Storage	$ 10,400,000
Water Conveyance Infrastructure	$ 6,900,000
Metering	$ 2,700,000
Total Capital	$ 35,976,649

*Fees provide a percentage of funding support for these programs:

- **Dam Construction and Inspection Fees** - Fees collected and provided to the general fund equal approximately 4% of FY 2004 direct dam safety program costs and are projected to be over 30% with newly adopted fee structure.
- **Water Right Applications, Permits and Certificates and Misc. Related Fees** - Fees collected and provided to the general fund currently equal about ½ % of direct water rights processing costs.
- **Hydropower License Fees** – Fees contribute 91% of program costs and are declining due to inflation in cost of Operations and Maintenance (O&M) for stream gauges and static revenue.
- **Well Construction and Inspection Fees** – Fees contribute 95% of program costs.
- **Water Well Operator's License Fee** – Fees contribute 100% of program costs.

Figure 2: Washington Department of Fish and Wildlife Water Resources Budget

Department of Fish and Wildlife – Water Resources Operations			
Program Functions		**FY 2003-05 Biennium**	**Activities**
Stream Flow Science Unit	Funding Staffing	$ 1,300,000 7.0	• Stream flow science and instream flow setting • Water right application review • Flow restoration
FERC Hydropower licensing	Funding Staffing	$ 780,000 4.5	• Representation of fish and wildlife stream flow, habitat, and other needs during licensing and relicensing negotiations.
Totals	Funding Staffing	$ 2,080,000 11.5	

Figure 3: Washington Department of Health Water Resources Budget

Department of Health – Water Resources Operations			
Program Functions		**FY 2003-05 Biennium**	**Activities**
Implementing Municipal Water Law Legislation	Funding Staffing	$ 1,066,000[1] 7.0[2]	• Water Conservation / Water Use Efficiency rule development • Revision to the water system plan review process • Implementation of expanded water system planning process.
Total	Funding Staffing	$ 1,066,000 7.0	

[1] This includes:

$ 111,000 GF-State funds

$ 171,000 GF – State/Local funds (from expanded water system plan review fees)

$ 784,000 GF – State/Local funds (From new residential connection surcharge – surcharge sunsets 06/30/07)

[2] This includes 5.5 FTEs allocated by municipal water legislation, additional 1.5 FTEs reflects realignment of existing FTE's to support planning and coordination efforts.

Figure 4: Combined Water Resources Budget: Ecology, Fish and Wildlife, and Health

COMBINED WATER RESOURCES BUDGET

Department of Ecology; Department of Fish and Wildlife; Department of Health

OPERATING BUDGET

Agency		FY 2003-05 Biennium
Department of Ecology	Funding	32,123,000
	Staffing	141.1
Department of Fish and Wildlife	Funding	$ 2,080,000
	Staffing	11.5
Department of Health	Funding	$ 1,066,000
	Staffing	7.0
Totals	**Funding**	**$ 35,269,000**
	Staffing	**159.6**

CAPITAL BUDGET

Agency	FY 2003-05 Estimate
Department of Ecology	$ 35,976,649
Department of Fish and Wildlife	$ ---
Department of Health	$ ---
Total Capital	**$ 35,976,649**

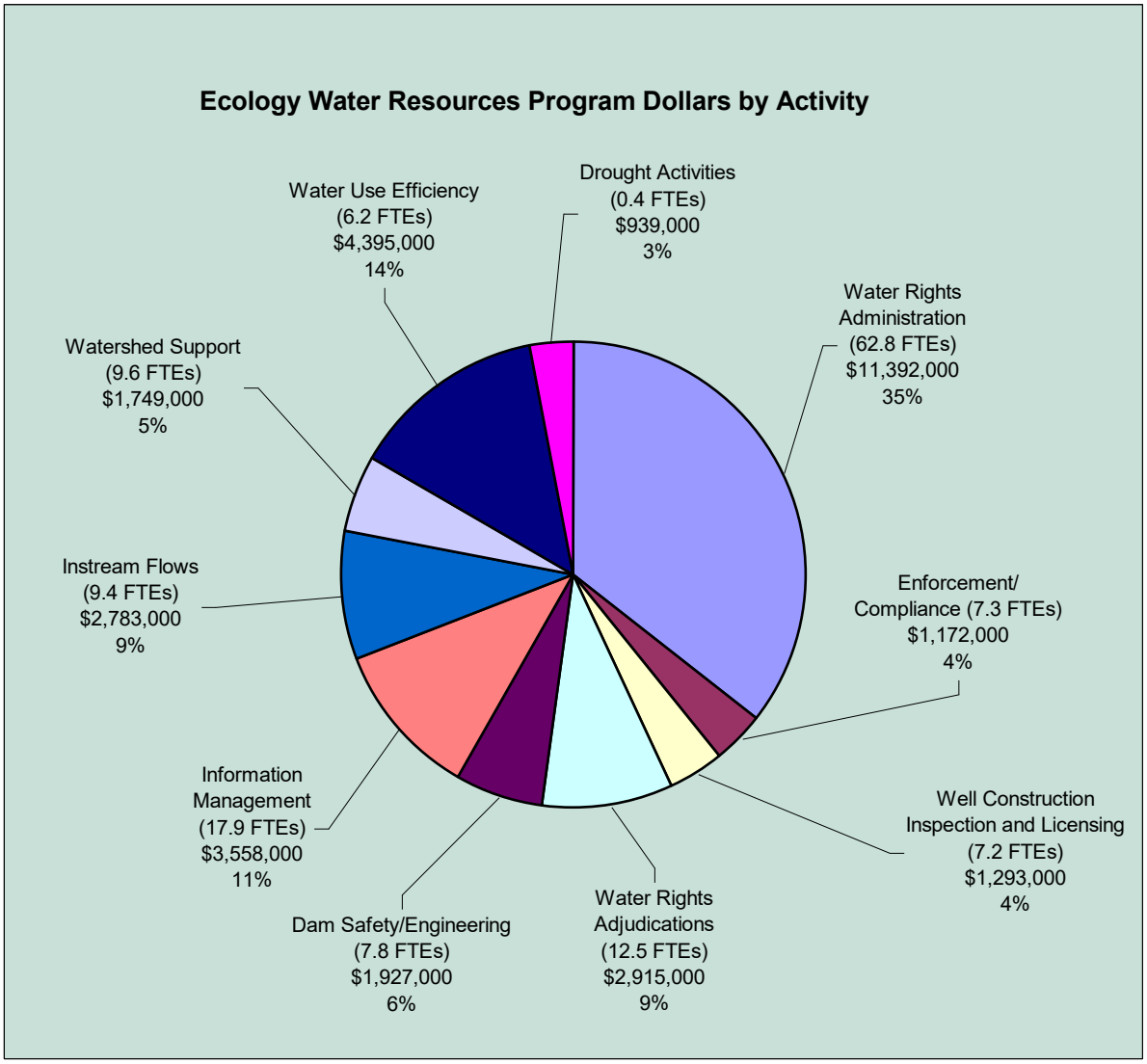
4 Operations Budget for Water Resources Programs

4.1 Expenditures and Program Areas: Ecology Water Resources Operations

Ecology's Water Resources Program FY 2003-05 operating budget is $32,123,000. The program supports 141.1 FTEs whose work is divided among ten functional areas. As displayed in Figure 5, water rights administration is the largest activity, consuming 35% of the Water Resources Program's operations budget and engaging 45% of its staff. The second largest activity is Water Use Efficiency, which expends 14% of the Program's operations budget but engages only 4% of its staff. Information management is third largest activity, expending 11% of the budget and nearly 13% of the staff.

Ecology's projected FY 2006-07 maintenance level operating budget (Appendix 4) projects a total Water Resources Program budget of $35,530,853 and 144.4 FTE Staff. The Water Resources budget history is presented in Appendix 3, and details funding and staffing levels for each program function from the FY 1979-81 biennium to the FY 2003-05 biennium.

Figure 5: Ecology's Water Resources Program Operations Expenditures by Activity



4.1.1 Water Resources Program Areas

Ecology's Water Resources Program functional areas, not including program administration, are:

- **Water Rights Administration**: The agency allocates water by reviewing applications for new water rights and changes to existing water rights. Applications are reviewed to determine whether water is available and whether existing rights would be impaired, as well as other considerations. The goal is to continue the increased pace of water rights processing, following legislative action in 2001 to increase funding and flexibility. It also includes work to implement new municipal water right provisions with the Department of Health (DOH) and administering the current portfolio of existing water rights. (Authorizing laws - 90.03, 90.44, and 90.80 RCW). Workplan objectives for FY2003-05 are:
    - Continue rapid pace of water rights decisions - new and changes
    - Implement new municipal water right provisions with Department of Health
    - Manage existing portfolio of rights
- **Enforcement/Compliance**: The agency helps ensure that water users comply with the state's water laws so that other legal water users are not impaired, water use remains sustainable over the long term, and the environment is protected for the benefit of people and nature. Activities include water metering and reporting 80 percent of water use in 16 fish critical basins, along with education, technical assistance, and strategic enforcement in egregious cases. (Authorizing laws - 90.03.400 and 600 and 43.27A.190 RCW). Workplan objectives for FY2003-05 are:
    - Insure water is metered and reported in 16 fish critical basins
    - Provide compliance information, assistance and strategic enforcement action in egregious cases with application of new penalty provisions as appropriate
    - Protect the investment in acquired water
    - Regulate water use during periods of low flows on streams having instream flow limits
- **Well Construction Inspection and Licensing**: The agency protects consumers, well drillers, and the environment by licensing and regulating well drillers, investigating complaints, approving variances from construction standards, and providing continuing education to well drillers. The work is accomplished in partnership with delegated counties. It delivers technical assistance to homeowners, well drillers, tribes, and local governments. (Authorizing law - 18.104 RCW). Workplan objectives for FY2003-05 are:
    - Protect consumers, well drillers and aquifers
    - License, regulate and provide training for well drillers
    - Engage counties in partnerships to provide service
- **Water Rights Adjudications**: Adjudicating water rights brings certainty to water rights and is fundamental to sound water management and reducing conflicts over water. It is a judicial determination of existing water rights and water right claims, including federal, tribal, and non-tribal claims, to determine their validity and extent. The primary activity currently is supporting the Yakima River Basin adjudication. (Authorizing law - 90.03.110 through 245 RCW). Workplan objectives for FY2003-05 are:

  - Move Yakima Adjudication toward completion
  - Engage and monitor efforts toward next adjudication and follow-up to Dispute Resolution Task Force report

- **Dam Safety/Engineering**: This activity protects life, property, and the environment by overseeing the safety of Washington's dams. This includes inspecting the structural integrity and flood and earthquake safety of existing state dams not owned or managed by the federal government, approving and inspecting new dam construction and repairs, and taking compliance and emergency actions. (Authorizing law - 90.03.350 RCW). Workplan objectives for FY2003-05 are:
  - Inspect dams for structural, flood and earthquake safety
  - Take compliance and emergency actions
  - Support water storage efforts
- **Information Management**: The collection, management, and sharing of data and information is critical to modern water management. Information is essential to local watershed groups, conservancy boards, businesses, local governments, non-profit groups, the Legislature, other agencies, and the media. Water information is fundamental to daily agency operations, including water allocation decisions; setting and achieving stream flows; identifying the location and characteristics of wells, dams, and water diversions; supporting compliance actions; metering; tracking progress; communicating with constituents; and serving other water resource functions. (Authorizing law - 90.54.030 RCW). Workplan objectives for FY2003-05 are:
  - Use sound data and information to strengthen service and relationships with constituents
  - Develop and maintain data and information systems for use by increasing number of external users (watershed groups, conservancy boards, businesses, etc.)
  - Collect, preserve, clean and make available data and information fundamental to effective daily agency operations - water allocation, dam safety, well construction, instream flows, communication
- **Assess, Set, and Achieve Instream Flows:** The agency evaluates and sets instream flows. This is fundamental to water resources management, and is used to determine how much water should remain in streams to meet environmental needs, how much water can be allocated, and when to regulate water use based on flow levels. This also includes acquiring water and other management techniques to restore and protect flows while meeting out-of-stream needs. This activity receives Bonneville Power and Salmon Recovery funds (these funds and related staff are not reflected in the appropriated budget totals noted). (Authorizing laws - 90.54, 90.22, and 90.82 RCW). Workplan objectives for FY2003-05 are:
  - Assess instream flows and support local watersheds engaged in developing flow recommendations
  - Set instream flows working with local watershed groups and critical basins not engaged in watershed planning
  - Achieve instream flows by acquiring water along with other management actions

- **Support Local Watershed Management of Water Resources:** This activity involves work with other agencies, local watershed planning groups, and tribes to address water quantity issues under the Watershed Management Act. It includes providing technical support and studies for local watershed planning groups to develop and adopt local plans that can serve as the basis for sound water resources management. (Authorizing law - 90.82 RCW). Workplan objectives for FY2003-05 are:
    - Provide technical assistance to local watershed planning groups (2514)
    - Support regional initiatives - Central Puget Sound, Columbia River, Yakima River
- **Support Water Use Efficiency:** The agency provides agricultural, commercial, industrial, and non-profit water users with services that deliver water savings. These include technical and engineering assistance, information, planning, and financial assistance. Support is also provided for water reuse projects and to the Department of Health in municipal water conservation. Grants and loans are provided to irrigation districts and farmers for water use efficiency improvements. (Authorizing laws - 90.54.020 (7) and 43.99E RCW). Workplan objectives for FY2003-05 are:
        - Provide technical and financial assistance to limited number of agricultural, commercial, industrial and non-profit water users
        - Support DOH municipal water conservation efforts
        - Support Water Quality and DOH reclaimed water work
- **Drought Activities**: Agency staff provides services to mitigate the effects of droughts and to prepare for future droughts and climate change. This includes the provision of information and financial assistance and the coordination of drought response efforts. When droughts are declared, services include provision of water via emergency permits, transfers, changes, and temporary wells. Emerging information on climate change is also monitored for future potential action. Funds indicated for FY 2004 and 2005 include $729,000 that can only be spent if a drought emergency is declared. (Authorizing law – Chapter 43.83B RCW)

4.2 Sources of Funds for Operations Budget

Ecology's Water Resources Program currently uses funds from nine separate accounts. Three accounts (Emergency Water Projects Revolving Account, Drought Preparedness Account, and the State and Local Improvements Revolving Account) are nearing the end of their available funds except for minor loan repayments. Two accounts are currently appropriated at levels that are not sustainable (Reclamation Account and Water Quality Account). The State General Fund supports many program operations but is frequently under pressure due to fluctuating revenue, nondiscretionary obligations and statutory spending limits.

These accounts can be organized into three broad categories: State General Fund; Federal General Fund; and Dedicated State Funds, which consist of the remaining seven accounts. As Figure 6 illustrates, 60% of the Water Resources Program's operation budget is supported by the State General Fund, 10% by the Federal General Fund, and 30% is supported through dedicated funding mechanisms. These funding mechanisms are summarized in Figure 7, which provides a snapshot of the funds, the sources of fund revenue, and their uses for FY 2003-05. Additional information on the funds is provided in Section 4.2.1: Descriptions of Funding Sources.

Figure 6: Water Resources Program Dollars by Fund Source FY 2003-5

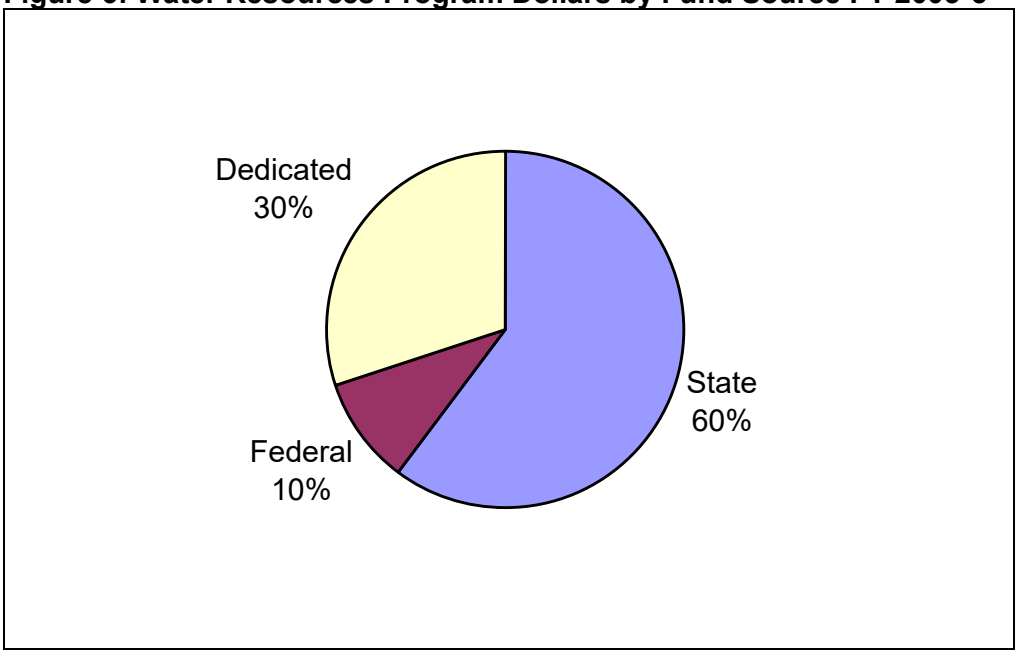


Figure 7: Sources of Funds for Operations: Water Resources Budget FY 2003-05

State	($) Amount	Sources	Uses
General Fund – State	19,361,417	Multiple	Water right decision making, county water conservancy board assistance, compliance, data management, public information, dam safety water use efficiency, instream flows and Yakima adjudication.
Federal			
General Fund – Federal	3,112,638	Federal grants	Dam safety inspections, Yakima Enhancement liaison, and Methow Valley Irrigation District improvements.
Dedicated Funds			
General Fund – Private/Local	666,634	Grants and cost reimbursement for water right processing	Instream flows and water acquisition.
Reclamation Revolving Account	2,403,867	Well construction fees; well operators' licenses and hydropower fees	Administration of the well construction oversight program; including revenue transfers to local governments that have delegated well construction management authority. Contract with the US Geological Survey for stream gauging. Setting instream flows. Well information systems.
Emergency Water Projects Revolving Account	728,643	Previous bond sales; loan repayment and interest payments.	Drought relief activities; primarily permit staffing for Ecology. Grants to other state agencies and others for drought relief activities.
Referendum 38 (Agricultural Water Supply Bond Funds)	488,043	Bond sales; loan repayments and interest payments.	Staff support for grants and loans for the improvement and/or construction of agricultural water supply facilities. Technical assistance to irrigation districts. Operation and maintenance of Zosel Dam (Lake Osoyoos in Okanogan County).
Basic Data Fund	310,000	Contributions from private & local entities	Pass through to the U.S. Geological Survey for stream gauging data collection and studies.
Drought Preparedness Account	1,055,320	Previous bond sales, transfer from Emergency Water Fund, loan repayments and interest repayments.	Drought relief and projects and activities to prepare the state for future droughts and climate change. Compliance activities. Environmental Impact Statement for the proposed Pine Hollow Reservoir (Yakima County).
Water Quality Account	3,996,559	Excise tax on tobacco products and general fund transfer.	Process water right applications for change, provide technical assistance to watershed planning units, establish instream flows in non-watershed planning basins, and update water rights data systems.
TOTAL	**32,123,121**		

Note: Actual expenditures for the 03-05 biennium will likely be at least $2.5 million less than indicated above due to excess federal appropriation authority and no likely drought declaration that would trigger drought related spending.

Figure 8 displays details regarding sources of funds for Ecology's Water Resources Program operating budget over four biennia. The numbers illustrate that the program budget has more than doubled in size since the FY 1997-99 biennium, due primarily to a growth in watershed planning, instream flow, and water right application processing during that time. In addition, the numbers illustrate that expenditures from the state general fund also increased by more than double since that time.

Figure 8: Water Resources Program Operating Budget Fund Sources for Four Biennia

Fund Sources	Bienniums			
	97-99	**99-01**	**01-03**	**03-05**
Gen. Fund State	9,905,097	15,456,754	19,714,683	19,361,417
Gen Fund Federal	64,742	123,434	602,142	3,112,638
Gen. Fund Priv./Local	10,699	52,701	11,067	666,634
Flood Control Asst. Act.	25,601	0	0	0
Reclamation Account	1,751,143	1,199,604	1,390,800	2,403,867
Emergency Water Fund	0	268,920	453,535	728,643
Drought Prep. Account	0	42,909	579,948	1,055,320
Salmon Recovery Acct.	0	450,401	0	0
Referendum 38	565,866	473,438	478,745	488,043
Basic Data Account	300,000	300,000	290,000	310,000
Water Quality Account	0	0	4,032,045	3,996,559
Digital Govt. Account	0	0	597,865	0
Compensation Adjust.	10,721	31,878	94,007	0
Total Dollars	**12,633,869**	**18,400,039**	**28,244,837**	**32,123,121**

Note: Dollars for FY 97-99, 99-01, and 01-03 are actual expenditures. Dollars for 03-05 are as appropriated – total 03-05 biennium expenditures are likely to be at least $2.5 million less than appropriations due to excess federal appropriation authority and no likely drought declaration that would trigger drought related spending.

4.2.1 Descriptions of Funding Sources

Fund 001-1 General Fund - State

The state general fund supports a large proportion of state government operations. It receives revenues from the state sales, business and occupation, and property taxes and myriad smaller taxes and fees. The general fund is used to support activities lacking dedicated fund sources. The Water Resources Program depends heavily on the state general fund even though its contribution to total program operating resources is now at 60 percent (down from 81 percent in

the FY 1997-99 biennium). This reduction has been accomplished by increasing reliance on the water quality account, the drought preparedness account, and the reclamation account. The latter two of these will be unable to sustain current spending levels beyond the current biennium.

The general fund fluctuates with the state's economy. Revenue falls when the economy performs poorly and rises in periods of economic growth. Discretionary general fund dependent programs tend to take the brunt of budget reductions when they occur as a large proportion of the fund is dedicated to non-discretionary education and social safety net obligations.

The Water Resources Program contributes relatively scant revenue to the state general fund (about $40,000 per biennium from water right fees and penalties and about $80,000 per biennium from dam safety fees).

Fund 001-2 General Fund – Federal

The Water Resources Program routinely receives two small federal grants of about $100,000 each per biennium, one for dam safety and one for the Yakima Basin Water Enhancement Project. Each of these grants funds part of a position respectively. Ecology is also nearing the completion of processing of grants to some water users on the Methow Valley Irrigation District to compensate for their moving to self supplied water and withdrawing from the district. The purpose of this is to reduce diversions from the Methow and Twisp Rivers. The Bonneville Power Administration is the source of these funds. Compared to many other Ecology programs, federal funds are a relatively minor portion of the funding for water resources.

Fund 001-7 General Fund – Private/Local

When the water resources program receives any funds from a private source or a local government, it is categorized as private-local general fund (GF-PL). Such funds cannot generally be expended without legislatively granted appropriation authority. In the past the program has occasionally received small amounts of such funds for various purposes. More recently, the cost reimbursement program for water rights has generated increasing amounts of GF-PL. The program presently has about $667,000 in such authority, though the amounts actually expended will depend on how many cost reimbursement projects are forthcoming and how much reimbursement they will actually generate. Ecology has also received several grants originating from federal funds (Bonneville Power Administration) for water acquisition, but distributed by a private entity (National Fish and Wildlife Foundation), therefore qualifying as GF-PL.

Fund 027-1 Reclamation Revolving Account

The account was originally established in 1919 to assist in financing irrigation developments but that purpose is now archaic. The fund is now used to pay for stream gauging carried out by agreement with the United States Geological Survey. The fund also supports well construction licensing and oversight. During the current biennium only (FY2003-05), a surplus in the account has supported instream flow work, but this is not sustainable.

Revenues accrue to the fund from power license fees paid by hydropower facility owners (about $320,000 per biennium) and from well drilling fees and driller licensing fees (about $1.9 million per biennium of which about $425,000 is passed on to county organizations that have accepted

well construction monitoring tasks). The department is continuing to propose legislation to increase the well drilling fees to generate an additional $1.7 million per biennium in revenue to the account that would be dedicated 83 percent to increased county delegation of well construction monitoring. The remainder would be used to fund two additional well data positions.

Fund 032-1 Emergency Water Projects Revolving Account

This fund was established in 1977 in response to a record drought when the Legislature approved $18 million in bond sales to raise money for drought relief projects and operations. Not all of that money was actually required during that drought and varying amounts have been appropriated and expended during subsequent drought years. In 1999, $9 million was transferred to the new Drought Preparedness Account. Currently, only about $730,000 remains in the Emergency Water Account. Funds can only be expended if a drought is officially declared (criteria are less than 75 percent of normal water supply and existing or expected economic displacement). The next serious drought situation will likely deplete the remaining funds in the account. The account receives about $94,000 each biennium in loan repayment revenue.

Fund 05W-1 Drought Preparedness Account

This account was established in 1999 when $9 million was transferred by the legislature from the Emergency Water Projects Revolving Account. Unlike the Emergency Water Projects Account, funds can be spent from this account even when there is no declared drought. The purpose of the account according to the statute establishing it is "drought preparedness." Accordingly, the legislature has appropriated funds from it for purposes that include stream gauging and water acquisition (both operating and capital). The fund was also tapped during the 2000-01 drought to acquire water rights for drought relief.

Ecology projects that the account will be essentially fully expended after the current biennium except for a small amount reserved for declared droughts and about $26,000 per biennium that accrues from loan repayments. The activities currently funded by the account need to be moved to other fund sources and Ecology is proposing that the water quality account be substituted starting next biennium.

Fund 072-1 State and Local Improvements Revolving Account (Referendum 38)

This fund was established in 1980 when the voters approved Referendum 38 bond funds. The referendum included $75 million in bond authority for municipal water supply projects administered by the Department of Social and Health Services (now the Department of Health) and $50 million for agricultural water supply projects administered by Ecology. No funds remain of the municipal water supply portion.

Ecology has issued numerous grants and loans to irrigation districts to plan for and construct irrigation delivery system improvements and fish passage facilities. Much of the funding has been expended in the Yakima River basin in connection with federal, state and local efforts there to improve conditions for anadromous fish and irrigation supplies. The fund has been used to support the state's share of costs under the federal Yakima basin water enhancement legislation. About $500,000 per biennium has been appropriated to Ecology for operational activities relating to administering the fund (financial and engineering).

In recent years, the Legislature has also tapped this fund for "on-farm" water system improvements. Ecology has passed these funds through to the State Conservation Commission, which in turn passes them to local Conservation Districts to carry out projects on farms that will reduce water use. Another new recent use is for water conveyance improvement projects.

Ecology projects that the remaining available funds and bond authority will be virtually exhausted by the end of next biennium, though there will be continuing unmet needs for irrigation related investments. The fund will continue to receive modest amounts of loan repayments (currently $200,000 per biennium). As the fund is exhausted, it will be necessary to identify new sources of funding to complete the state's obligation for the Yakima Enhancement Project as well as to meet other continuing needs.

Fund 116-1 Basic Data Account

This account was established in 1943 to facilitate the transfer of local and private funds to the United States Geological Survey (USGS) for stream gauging and water related studies. Essentially the fund operates as a temporary holding account. The USGS reaches agreements with local agencies and private businesses (predominately utilities) for cost-shared stream gauging and studies. The local and private entities pay into the account and transfers are then made to the USGS during the biennium to cover its expenditures relating to the gauging and studies. Evidently this method of money handling is required due to federal limitations on receiving local and private funds. In recent times, the amounts run through the account have averaged about $300,000 per biennium.

Fund 139-1 Water Quality Account

This account was established in 1986 and is funded by proceeds of taxes on cigarettes and other tobacco products and state general fund transfers. The account has traditionally funded water quality capital projects and some water quality program staffing. More recently it has also been appropriated to the Water Resources Program for staffing for water right processing and information management. Other agencies also receive staffing-related appropriations including the Department of Fish and Wildlife and the Puget Sound Action Team. The increased operating appropriations have required a reduction in the amounts appropriated for capital projects. This gap has to a degree been filled by capital appropriations from the State Building Construction Account.

4.3 Washington Department of Fish and Wildlife Water Resource Programs

The Washington State Department of Fish and Wildlife (WDFW) currently provides statewide water resources support in two primary areas: a.) instream flow science and b.) FERC hydropower project licensing.

Instream Flow Science

WDFW's Stream Flow Science Unit is located within its Science Division, Habitat Program. The unit includes seven FTEs with a biennial operating requirement of $1.3 million. Staff works closely with Water Resources Program staff at Ecology to provide fish flow science and support complementary agency actions and/or authorities and to best leverage state resources. Demand

for support from staffs in both agencies is expected to continue to be high over the next several years. Currently, funding for the unit is entirely from pass-through contracts with Ecology. Approximately 80% of the unit's funds are from a one-time federal grant (expires Dec. 31, 2006) passed through to Ecology via the Salmon Recovery Funding Board. The remaining 20% is from state funds (water quality account and state general fund). Current WDFW funding is budgeted through June 2005 only. WDFW has submitted an add of $1.01 million from the state general fund in its FY 2005-07 biennial budget proposal to provide replacement funding for the 5.5 FTEs currently supported by the above federal grant funds. Any carry over of these funds made available to WDFW for FY 2005-07 will reduce the agency's initial need (but not the total or ongoing need) for replacement funding. A summary of functions, FTE's, and current funding sources for WDFW's Stream Flow Science Unit follows:

Function	FTE's	Supports	Funds Source
Stream Flow Science	3.5	Supports 2514 and state instream flow setting, other watershed or stream flow processes, and related activities.	Ecology pass through – federal grant
Water Right Applications	1.5	Review of water right applications (new rights, transfers, and changes) per 77.55.050 RCW.	Ecology pass through-state
Flow Restoration	2.0	Statewide water acquisition, flow restoration, and monitoring programs	Ecology pass through – federal grant

FERC Hydropower Project Licensing

WDFW's FERC hydropower licensing support function resides in its Major Projects Division, Habitat Program. Current funding provides for 4.5 FTEs with a biennial operating requirement of $780,000. These funds provide for representation of fish and wildlife needs during major FERC hydropower licensing actions only. Agency staff support for small hydro project licensing was eliminated during recent budget cuts. Among other concerns, a key responsibility for these positions is to provide for license conditions to support water management consistent with providing stream flow levels and timing to meet salmonid habitat, passage, and other needs. Current funding is approximately 70% from the state general fund and 30% from federal Dingell-Johnson (DJ) funds. Current staffing provides for licensing negotiations, but not for license implementation, performance monitoring, or follow-up. Currently, these FTEs support approximately 40 re-licensing processes, statewide. Demand for re-licensing participation, especially, is expected to continue to increase through at least 2012. Staffing and funding needs are expected to more than double to accommodate this and the growing need to also provide support for implementation, monitoring, and adaptive management of license conditions. At the same time federal sources of funding (including DJ) are expected to continue to decline. A summary of functions, FTEs, and funding sources follows:

Function	FTE's	Supports	Funds Source
FERC Hydropower Project Licensing	4.5	Representation of fish and wildlife stream flow, habitat, and other needs during licensing and relicensing negotiations.	State GF, 70% Federal (DJ), 30%

4.4 Washington Department of Health Water Resource Programs

The Department of Health has a limited role in the administration and support of state water resource programs. Its core functions include the support, protection, and management of public water supplies and the implementation of federal and state drinking water regulations. There are elements related to the coordination and management of public water supplies that overlap with Department of Ecology's water resource programs. Most of it falls under the umbrella of the Municipal Water Law and the work being done to implement its provisions. Work on the Municipal Water Law can be broken down into three main elements:

- Water Conservation / Water Use Efficiency Rule
  - Development (to be completed by 12/2005)
  - Implementation (on-going from 1/2006)
- Revisions to the water system plan review process to address expanded coordination as outlined in the law (with the departments of Ecology, Community Trade and Economic Development (DCTED), and Fish and Wildlife).
- Implementation of the expanded water system planning process.

Funding to support these activities primarily comes from one of two areas:

- Water system plan review fee: The department currently charges a fee for water system plan reviews. It is expected that as a result of the expanded scope of the water system planning and coordination process, more systems will be required to submit plans to the department.
- Residential connection surcharge: This is a 25 cent per residential connection surcharge added to the department's existing water system operating permit. The funds generated by the surcharge support conservation activities including rule development and implementation. The surcharge is scheduled to sunset on June 30, 2007.

Currently the Office of Drinking Water has 7 FTEs working on the Municipal Water Law and related water system planning activities. This estimate includes the 5.5 FTEs allocated to the department by the authorizing legislation and an additional 1.5 FTEs (reflecting the temporary realignment of existing staff) to support the coordination and stakeholder activities associated with the expanded water system plan review process. The table below outlines the related operating funds for the 2003 - 2005 biennium. It reflects both the residential surcharge and the expanded collection of fees for new water system plans.

Program	Program Outcomes	Current Operating Funds ($$ & FTE's)	Operating Fund Source
DOH – Implementing Municipal Legislation	• Draft rules for water conservation/water efficiency, implement new requirements and provide technical assistance (by 12/31/05). • Revise Water System Plan and Small Water System Management Program requirements to address new statutory provisions. • Update water system planning review & consultation process to address coordination with Ecology, WDFW, DCTED and local planning entities. • Implement residential connection surcharge as part of operating permit fee to fund DOH implementation of the municipal legislation.	$111,000 (5.5 FTEs) $171,000[1] $784,000[2]	GF-State 001-1 GF-State/Local 001-7[1] GF-State/Local 001-7[2]

Notes:

[1] New Water System Plan Review Fee Collection

[2] New Residential Connection Surcharge Fee

5 Capital Budget for Ecology's Water Resources Programs

Ecology's water resources capital budget for FY 2003-05 is estimated at $ 35,976,649. Ecology's request for FY 2005-07 is $ 23,378,000 (Figure 9). Although this represents a decrease of more than $12.5 million, this is not expected to be a true decrease because the FY 2003-05 figures include a large portion of funding that is obligated but not likely to be spent in the current biennium (as described in the note following Figure 9). Large portions of the capital budget are typically re-appropriated because construction projects cross biennia with unexpended obligations.

Documents reviewed by the Task Force, along with general expectations of future need for water-related capital projects, suggest that the water resources capital budget will grow considerably over the next decades. The Phase 4 Watershed Plan Implementation Committee Report to the Legislature (December 2002) offered a provisional estimate, with many caveats, of $5.9 billion to implement the 33 watershed plans being developed at the time of the report.[5]

5.1 Program Areas and Expenditures: Ecology's Water Resources Capital Budget

Ecology's water resources capital budget is divided into seven funding categories:

- **Agriculture Water Supply**: Agriculture Water Supply funding is provided to irrigation districts for planning, acquisition, construction and improvements to agriculture water supply facilities and to achieve water conservation and water use efficiency improvements. Funding for these projects are authorized under a $50 million bond authorization for agriculture water supply facilities under Chapter 43.99E RCW.
- **Drought Preparedness**: Drought Preparedness funding is provided to irrigation districts and municipal water suppliers to prepare for and mitigate drought effects. Projects are designed to increase the efficiency of existing irrigation and water supply systems. These projects also maintain instream flows in fish critical basin through conservation. Funds are authorized under Chapter 43.83B RCW.
- **Water Acquisition**: Water Acquisition funding is used to purchase and lease water rights to restore and protect instream flows. Purchased water rights are placed into trust under the Trust Water Program Chapters 90.42 and 90.38 RCW. The program is targeted to fish critical basins.
- **Irrigation Efficiencies**: Irrigation efficiency funding is provided through partnerships with Conservation Districts for on-farm water efficiency projects that improve instream flows in fish critical basins. Conservation Districts receiving funds manage each grant to ensure that a portion of the water saved will be placed into the Trust Water Program to enhance instream flows. The proportion of saved water placed into the trust must be equal to or greater than the percentage of the public investment in the conservation measure or irrigation efficiency.

[5] Among the caveats, the report states: "These are not 'new' needs, and they were not created by the watershed planning process. Instead, watershed plans will likely group many needs together that have already been identified through other processes, such as habitat restoration efforts, water and wastewater system plans, irrigation district needs, and water quality programs." The Phase 4 report also considered water supply, water quality, and streamflow management needs. For the purposes of this Water Resources Administration and Funding Task Force report, it should be noted that some of these categories are not defined as part of the state's water resources program.

- **Water Storage**: Water storage grants are used for the development of plans, engineering and financing reports, acquiring lands and facilities, and other preconstruction activities associated with the development of water storage and groundwater storage and recovery projects. Proposed projects have to be consistent with the recommendations of the Water Storage Task Force. Ecology issues grants in consultation with the Departments of Agriculture and Fish and Wildlife.
- **Water Conveyance Infrastructure**: Water conveyance and infrastructure funding is provided to irrigation districts and public water suppliers for improvements that benefit instream flows and enhance water supplies to resolve conflicts among water needs for municipal water supply, agriculture water supply and fish restoration. The stream flow improvements and other public benefits secured by these projects are to be commensurate with the investment of state funds.
- **Metering**: Water metering funds are used to provide financial assistance to water users on a cost share basis to purchase and install water measuring devices at points of diversion and withdrawal. Preference is given to projects in fish-critical basins, to areas participating in the Department of Fish and Wildlife fish screening and cooperative compliance programs, and to basins where watershed planning has determined additional water diversion and withdrawal information is needed.

Figure 9: Water Resources Capital Budget History, Fund Sources and Recipients

Water Resources Capital Budget History, Fund Sources and Recipients					
Activity and Fund Sources	**FY 99-01 Actual**	**FY01-03 Actual**	**FY 03-05 Estimate (a)**	**FY 05-07 Request (b)**	**Eligible Recipients**
Agriculture Water Supply					Irrigation Dists.
▪ State and Local Improv. Revolving Account	$ 8,767,998	$ 6,000,000	$ 4,525,000		
▪ State Building Construction Account				$ 7,878,000	
Total Agriculture Water Supply	$ 8,767,998	$ 6,000,000	$ 4,525,000	$ 7,878,000	
Drought Preparedness					Irrigation Dists., Public Wtr. Suppliers
▪ Drought Preparedness Account	$ 486,615	$ 2,304,756	$ -	$ -	
Total Drought Preparedness	$ 486,615	$ 2,304,756	$ -	$ -	
Water Acquisition					Ecology - to Owners of Water Rights
▪ State Building Construction Account	$ 988,154	$ 1,000,000	$ 2,200,000	$ 2,500,000	
▪ Federal Appropriation		$ 142,397	$ 629,000		
▪ Drought Preparedness Account		$ 625,703	$ 1,500,000		
Total Water Acquisition	$ 988,154	$ 1,768,100	$ 4,329,000	$ 2,500,000	
Irrigation Efficiencies					Conservation Dists. for On-Farm Improvements
▪ State Building Construction Account			$ 1,000,000	$ 3,500,000	
▪ State and Local Improv. Revolving Account		$ 1,526,059	$ 3,973,941		
▪ Water Quality Account		$ 1,526,059	$ 2,148,708		
Total Irrigation Efficiencies	$ -	$ 3,052,118	$ 7,122,649	$ 3,500,000	
Water Storage					Irrigation Dists., Public Wtr. Suppliers
▪ State Building Construction Account			$ 7,400,000	$ 3,500,000	
▪ State and Local Improv. Revolving Account			$ 3,000,000		
Total Water Storage	$ -	$ -	$ 10,400,000	$ 3,500,000	
Water Conveyance Infrastructure					Irrigation Dists., Public Wtr. Suppliers
▪ State Building Construction Account			$ 4,600,000	$ 4,000,000	
▪ State and Local Improv. Revolving Account			$ 1,775,000		
▪ Water Quality Account			$ 525,000		
Total Water Conveyance Infrastructure	$ -	$ -	$ 6,900,000	$ 4,000,000	
Metering					Larger Wtr. Users in Fish Critical Basins
State Building Construction Account		$ 444,863	$ 2,700,000	$ 2,000,000	
Total Metering	$ -	$ 444,863	$ 2,700,000	$ 2,000,000	
Total Capital					
▪ State and Local Improv. Revolving Account	$ 8,767,998	$ 7,526,059	$ 13,273,941	$ -	
▪ State Building Construction Account	$ 988,154	$ 1,444,863	$ 17,900,000	$ 23,378,000	
▪ Federal Appropriation	$ -	$ 142,397	$ 629,000	$ -	
▪ Drought Preparedness Account	$ 486,615	$ 2,930,459	$ 1,500,000	$ -	
▪ Water Quality Account	$ -	$ 1,526,059	$ 2,673,708	$ -	
Total Capital	**$10,242,767**	**$13,569,837**	**$ 35,976,649**	**$ 23,378,000**	

Notes on Water Resources Capital Budget History, Fund Sources and Recipient table (Figure 9)

a): The total in this column includes all agreements under contract during the FY 2003-05 biennium. It is estimated that $18 million of the FY 2003-05 biennium appropriation of $35,976,649 will be re-appropriated and carry forward to the FY 2005-07 biennium (leaving a net capital expenditure of $17,976,649 for FY 2003-05). This consists of the following:

Agriculture Water Supply	
State and Local Improv. Revolving Account -	$ 1,500,000
Water Acquisition	
State Building and Construction Account -	$ 1,500,000
Federal Appropriation -	$ 250,000
Drought Preparedness Account -	$ 500,000
Total Water Acquisition -	$ 2,250,000
Irrigation Efficiencies	
State and Local Improv. Revolving Account –	$ 1,200,000
State Building and Construction Account –	$ 300,000
Water Quality Account -	$ 800,000
Total Irrigation Efficiencies	$ 2,300,000
Water Storage	
State and Local Improv. Revolving Account –	$ 2,000,000
State Building and Construction Account –	$ 5,000,000
Total Water Storage	$ 7,000,000
Water Conveyance Infrastructure	
State and Local Improv. Revolving Account –	$ 1,200,000
State Building and Construction Account –	$ 3,000,000
Water Quality Account -	$ 250,000
Total Water Conveyance Infrastructure	$ 4,450,000
Metering	
State Building and Construction Account –	$ 500,000
Total Re-appropriation	
State and Local Improv. Revolving Account –	$ 5,900,000
State Building and Construction Account –	$10,300,000
Water Quality Account -	$ 1,050,000
Federal Appropriation -	$ 250,000
Drought Preparedness Account -	$ 500,000
Total Re-appropriation	$18,000,000

b): The estimates in this column do not include the budget request for the Columbia River Initiative. A significant Governor proposed capital budget request is expected to be announced in December 2004.

5.2 Sources of Funds for Capital Budget

Support for Ecology's water resources capital budget is drawn from five accounts (see Figure 10). Three of these accounts – the State and Local Improvements Revolving Account (Referendum 38), the State Drought Preparedness Account and the Water Quality Account – are nearly expended, fully obligated or will be so in the next biennium.

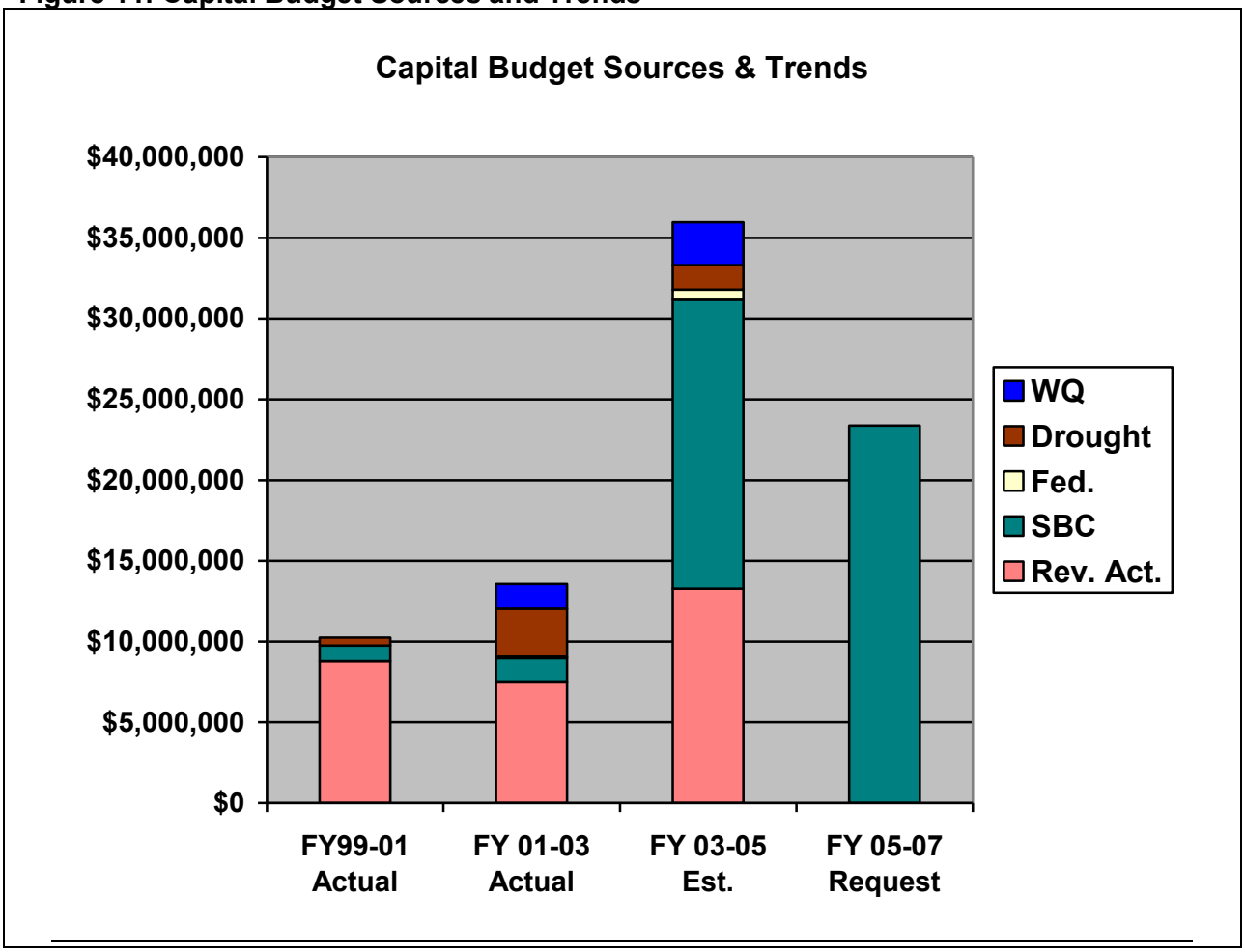
As these funding sources have declined and expire, funding for water resources capital programs has been shifting to the remaining two accounts – State Building Construction Account and General Fund (Federal). In the 20005-07 biennium Ecology proposes to fund all new capital projects from the State Building Construction Account (see Figures 9 and 11).

The State Building Construction Account is funded by state issued bonds and is used to finance a wide variety of state facilities and capital projects. In 1999, Ecology was appropriated $1 million from this account to acquire water rights by purchase or lease. Since then Ecology has received additional appropriations for that purpose. Funds from the account have been appropriated to purchase and install water measuring devices, investigate potential water storage projects and to implement irrigation efficiency and water conveyance infrastructure projects.

Figure 10: Capital Budget Funding FY 2003-05

Funds	($) Amount	Sources	Uses
General Fund - Federal	629,000	Grants from Bonneville Power Admin. Or National Marine Fisheries Service.	Purchase or lease water rights from current users to improve stream flows in critical fish streams. (Subject to the federal funds actually being made available).
State Building Construction Account	13,273,941	Sale of bonds.	Water measuring devices, on-farm irrigation efficiencies, water conveyance improvement or replacement, water storage investigations.
State and Local Improvements Revolving Account (Ref. 38)	17,900,000	Sale of bonds; loan repayment and interest payments.	Grants/loans for agricultural water supply facilities. Grants for on-farm water use efficiency improvements. Storage studies.
State Drought Preparedness Account	1,500,000	Previous bond sales, loan repayments and interest payments.	Grants/loans for drought related agricultural and municipal water supply facilities projects. Purchase and lease of water rights to improve stream flows in fish critical streams.
Water Quality Account	2,673,708	Excise tax on tobacco products.	Grants for on-farm water use efficiency improvements. Drought well pumping mitigation projects in the Yakima basin.
TOTAL	**$ 35,976,649**		

Figure 11: Capital Budget Sources and Trends



Note: This graph is based on data in Figure 9: Water Resources Capital Budget History, Fund Sources and Recipients

6 Water Rights and Other Fee Programs

The Task Force dedicated considerable attention to the water right application permitting process and fee collection.

For FY 2003-05, the Water Rights Administration function of Ecology's Water Resources Program has a budget of $11,392,000 (35% of Ecology's Water Resources Program budget) and supports nearly 63 FTEs.

For the FY 2001-03 biennium, the total direct cost for water right permit application processing was $7,213,000 of which $5.04 million (70%) was from state general fund and 2.17 million (30%) was from the water quality account.

In FY 2004, Ecology collected $34,032 in water right fees for applications, permits, certificates, extensions, and other fee-based items (see fee schedule, Appendix 7). As shown in Figure 13, during the eight fiscal years between FY 1998 and FY 2005, water right related processing fees averaged $24,355. The high for this period was $34,032 in FY 2004; the low was $18,915 in FY2000. These fees support about ½ % of the cost of administering the water rights program.

Washington State water right permitting and process fees were established by statute (RCW 90.03.470) in 1917. Some fees (such as for mapping) have become an anachronism and are no longer collected. Changes in these fees would require legislative changes.

Typical water right permit fees range from $20 for small domestic use to over $1,000 for very large uses including municipal, irrigation and industrial (Figure 12).

Figure 12: Example Water Right Fees in Washington State

Example uses and volumes	**Current Fees** (1) (New or Change)	Cost Per CFS
Small use (domestic, garden, barn @ 0.1 cfs)	$20	$200
Medium size use (100 acre orchard or small water system @ 2 cfs)	$55	$27.50
Large use (municipal, industry or irrigation system @ 100 cfs)	$605	$6.05
Very Large use (municipal, industry or irrigation system @ 175 cfs) (2)	$1,055	$6.03

Notes:
1. Fee calculation includes charges for water right application, water right permit, and water right certificate.
2. "Very Large" category uses a representative volume derived by review of the eight top cfs volume surface water applications above 100 cfs processed for calendar years 2000-2004: $350 application fee ($2 * 175 cfs) + $700 permit fee (assume highest cost category @2* application fee) + $5 certificate fee = $1,055 total. For comparison, the same calculation applied to the largest application (2,000 cfs) yields a fee of $12,005.

Figure 13: Fees Collected under the Water Resources Program

		Dam Construction and Inspection Fees	Water Right Applications, Permits and Certificates and Miscellaneous Related Fees	Hydropower License Fee	Well Construction and Inspection	Water Well Operator's License
Fund Deposited to		001 – General Fund		027 – Reclamation Revolving Account		
97-99 Biennium	**FY98**	$42,122	$30,401	$164,277	$745,456	$20,867
	FY99	$43,402	$21,100	$162,950	$717,057	$16,700
99-01 Biennium	**FY00**	$46,401	$18,915	$162,586	$736,598	$12,943
	FY01	$34,412	$24,124	$163,422	$719,183	$10,415
01-03 Biennium	**FY02**	$17,192	$22,017	$162,064	$618,335	$11,335
	FY03	$33,130	$20,250	$163,345	$692,801	$9,515
03-05 Biennium	**FY04**	$28,132	$34,032	$159.518	$723,475	$11,170
	FY05	$234,000	$24,000	$162,000	$664,500	$10,500
Estimated # of Payers (per year)		20 projects on average; 870 dams with exclusive dam safety jurisdiction	Approximately 1,000	41 project owners for 89 projects	Estimated 7,800 wells	40 new licenses, 425 two-year renewals
Activities Supported		Plan review and dam inspections	Processing water right applications, permits and certificates, extensions, protests, recording, copying, providing public information and assistance	Implementation of Stream Gauging Program in cooperation with USGS	Administer well construction, well operator's licensing, and educational program/grants to local government	Well construction, operator licensing, and education
Percent Supported (%)		Fees provide approximately 4% of FY04 direct dam safety program costs; projected to rise to over 30% with newly adopted fee structure.	Fees provide about ½ % of direct water rights processing costs	91% and declining due to inflation in cost of O&M for stream gages and static revenue	95%	100%
Other Funds Supporting Activity		State General Fund: 91% Federal General Fund (FEMA grant): 9%	For 01-03 biennium, total direct cost is $7,213,000: 70% from State General Fund and 30% from Water Quality Account	State General Fund or Drought Preparedness Account: 9% and increasing	State General Fund: 5%	N/A

6.1 Fees Collected by the Water Resources Program

Figure 13 summarizes the water resources fee programs administered by Ecology and Appendix 7 presents the fee schedules. These fee programs are described below:

Water Right Fees (RCW 90.03.470)

Fees for the processing of water rights and related minor fees were established in the 1917 Water Code and have been amended only in minor respects since then (RCW 90.03.470). Under the law a minimum application fee of $10 is due upon the filing of an application for a new water right or a change or transfer of an existing right. Additional amounts may be charged depending on the purpose and quantity of use proposed. Permit fees are levied before a permit can be issued and amounts paid vary by use and quantity. A $5 certificate fee is payable before a certificate is issued. Fees are also paid for construction schedule extensions and assignment of an application or permit. Ecology currently collects about $40,000 to $70,000 per biennium in fees from this source and those funds are deposited in the State General Fund. The general fund supplies over two thirds of funding for water rights processing staffing. The fees are set by statute and can only be changed by legislation amending the fee schedule.

Dam Safety Fees (RCW 90.03.470 (8) and (9))

Fees can be charged for review of plans and specification of new dams and those proposed to be altered (minimum fee of $10 or the actual cost) and for periodic inspection of existing dams (the actual cost) (RCW 90.03.470). Ecology has charged the plan review fee for some time but has not charged fees for inspections for several decades. However, in September 2004 Ecology revised its rules and increased the amounts charged for plan review and has imposed fees for inspections. Prior to the rule change, Ecology collected about $80,000 per biennium. With the new fees, Ecology expects to collect over $400,000 per biennium to help defray the cost of the dam safety program. The fee revenues accrue to the State General Fund from which Ecology receives appropriations for the dam safety activity.

Well Construction Related Fee (RCW 18.104.070 and 100, RCW 18.104.055)

The department charges a fee of $25 for water well drilling operator's license and a fee of $25 for a resource protection well drilling operator's license. These licenses are issued for two years and are renewable for two years by paying another $25 fee. The licensing fee is established and amendable by rule.

A statutory fee was passed in 1993 for the drilling of new wells in the state. The fee for a water well with a top casing diameter of less than 12 inches is $100. The fee for a larger water well is $200. Lesser fees are also charged for dewatering wells and for resource protection wells including environmental investigation wells. A statutory fee increase will be proposed by Ecology in the 2005 legislative session to broaden and improve services (see Well Construction and Licensing Fees in Appendix 7).

All well fee revenues accrue to the Reclamation Account from which the Legislature makes appropriations to Ecology for the well construction program. A total of about $1.9 million per biennium is currently collected.

Power License Fees (RCW 90.16.050)

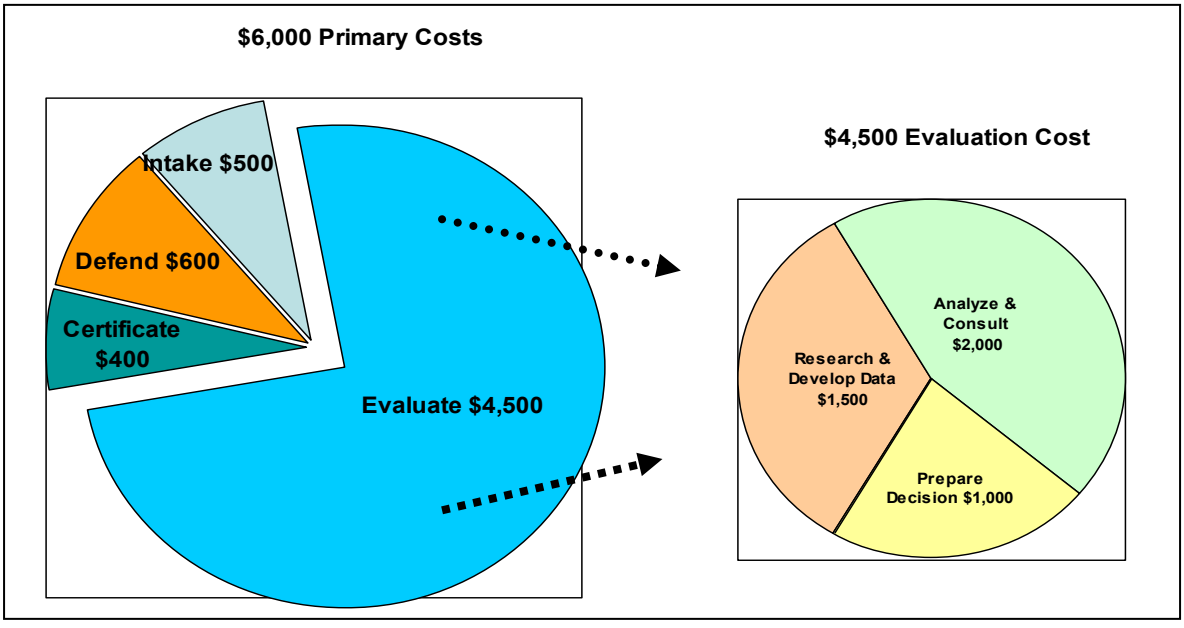
Persons claiming the right to use water for power development are required to pay an annual fee based on the theoretical horsepower of the power plant. This includes both existing as well as proposed facilities. The fee for an undeveloped project is one-half the fee for a developed project. This fee was established in 1929. The fee revenues accrue to the Reclamation Account from which the Legislature makes appropriations to Ecology to match federal contributions for United States Geological Survey gauging stations. The USGS pays for the other half of the cost. Currently, Ecology collects about $320,000 per biennium. This is about $80,000 short of the cost to maintain the thirty stream gauges that are currently being funded. In the current biennium the Legislature appropriated money for the gap from the Drought Preparedness Account. The operation and maintenance costs for these federally owned and operated gauges has been increasing at about five percent per year.

6.2 Water Right Application Processing

A previous internal analysis by Ecology staff estimated the average cost for Ecology to review a water right application is $7490. This amount includes $6,000 in primary costs and $1,490 in related secondary costs such as pre-application customer service, Conservancy Board Support and other similar costs. In does not include "third tier " costs like water rights data system, compliance, adjudication, drought related activities, and others.

As Figure 14 illustrates, the bulk of the $6000 in primary costs is typically devoted to evaluating the water right (research and data development, analysis and consultation, and preparing the decision). The evaluation process is outlined in Appendix 8: Water Right Application Flow Charts.

Figure 14: Water Rights Application Processing Costs



6.3 Water Right Application Options and Costs[6]

Depending on the circumstances of the application, there are typically three ways to apply for a water right: Apply to Ecology (the conventional approach); use a Cost Reimbursement Contractor; and in counties that have them, apply to the local Water Conservancy Boards.

- **Conventional Ecology approach**: Under this approach, applicants for new water rights and changes apply to one of the four regional Department of Ecology offices providing services in their area. Ecology staff completes all the work necessary to process applications from beginning through decision-making. Historically, this is how all water right applications have been processed. Most decisions are still being made using the conventional approach.
- **Cost Reimbursement Contractor**: Under terms of an applicant initiated cost-reimbursement arrangement, an applicant enters into an agreement with Ecology to pay Ecology's cost of hiring, managing and overseeing an independent consultant to do Ecology's routine and technical permit processing work (not approval or policy work). This involves paying the costs of processing their applications and the costs of processing other water right applications in line ahead of theirs that are proposing to draw from the same water source. Final decisions are made by Ecology rather than the consultant.
- **Water Conservancy Board**: In areas with conservancy boards, applicants have the option of submitting their applications for water right changes to their local board. Boards make records of decisions (RODs) on water right change applications. These decisions are reviewed by Ecology for compliance with state water law. Depending on work demand, two to three Ecology staff are assigned to support board activities, including training. Ecology has final review authority to review board RODs. After review, Ecology issues administrative orders to affirm, modify or reverse them.

Local water conservancy boards and private cost reimbursement contractors have made a significant contribution to the production of water right decisions. Of the 970 permanent water right applications processed in FY 2002 and the first half of FY 2003, conservancy boards (changes only) and cost reimbursement contractors accounted for 14 percent of the production (9 and 5 percents, respectively).

[6] This section is excerpted with adjustments from the Ecology report: Water Rights Application Processing - A Year of Progress. January 2003 (Publication No. 03-11-006).

6.3.1 Comparison of Costs[7]

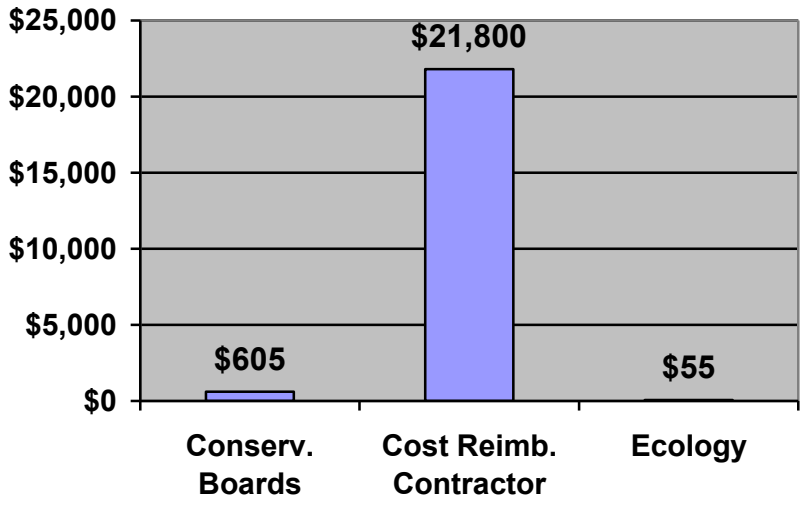
The total cost (economic efficiency) of the three approaches varies greatly. Average costs for processing an application are as follows:

- Ecology: $7,490
- Cost Reimbursement Contractor: $15,700
- Water Conservancy Board: $3,955

The cost picture is quite different when considering costs from the perspective of the applicant and the taxpayer.

The cost to water right applicants varies greatly by service provider. As Figure 15 shows, from a strictly water right applicant's perspective the least costly path is direct Ecology processing ($55) followed by conservancy board processing (average $605, though charges vary widely). The most costly to applicants is processing via a cost reimbursement contractor (average $21,800, although these charges can also vary widely).

Figure 15: Comparison of Average Cost to A*pplicant* for Water Right Permit: By Service Provider

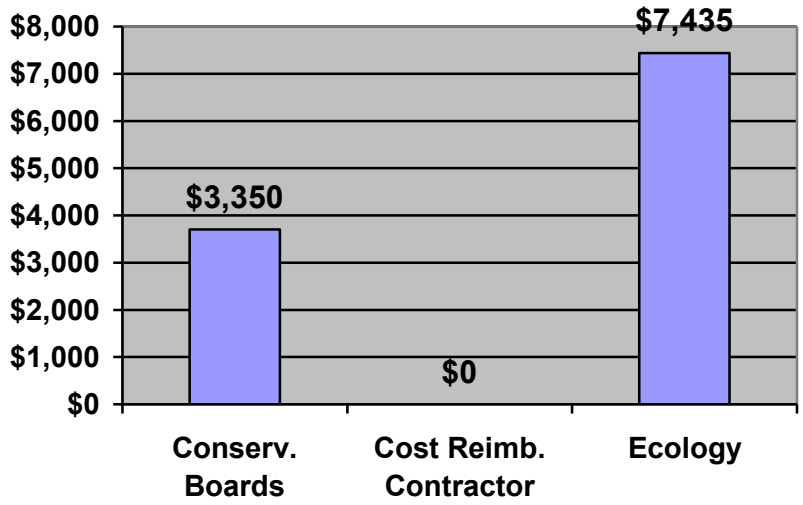


[7] Based on preliminary information from previously cited report. Notes on cost estimates:

- Original estimates were preliminary with suggestion for further analysis.
- Conservancy Board cost to applicant estimate cited here (Figure 15) has been updated based on forthcoming 2004 report to legislature on Conservancy Boards and excludes substantial consultant costs some Boards require for analyses to support Board decisions.
- Note that the cost reimbursement estimated cost to applicant of $21,800 (Figure 15) is higher than the average cost per application cost $15,700 cited in narrative (Section 6.3.1) because it incorporates the cost of processing the required senior applications for same water source.
- The cost to applicant estimate for Ecology processing (Figure 15) has been updated to reflect permitting for medium sized water users as cited in this report in Figure 12.
- These estimates are "front-end" costs and do not include such "third-tier" costs as compliance, metering, adjudication, stream gauging, data systems and other costs required to manage the portfolio of water rights

The cost of water right application processing borne by taxpayers is inversely related to payments made by applicants for the service of water right processing. As Figure 16 shows, the least costly to general taxpayers is service provided via the Cost Reimbursement model ($0), followed by Conservancy Boards (averaging $3,350), and then Ecology (averaging $7,435). Taxpayer costs related to conservancy board decisions derive from Ecology providing technical support to boards, reviewing boards' RODs, and making the final decision. Ecology is presumed to have no costs relating to the cost reimbursement process because the applicant reimburses Ecology for time and it devotes to the application. However, the cost reimbursement calculation does not include pre-application costs to Ecology, which are not tracked and are not reimbursable but can be substantial on complex applications.

Figure 16: Comparison of Average Cost to *Taxpayer* for Water Right Permit: By Service Provider



6.4 Water Right Application Fees in Other States

Figure 17 compares the minimum and maximum fees for filing a new surface water right application in twelve western states (many states charge fees in addition to the filing fee prior to issuing a water right, but these are not included here).[8] Seven states base their fees on volume and five set their fees without regard to volume. Wyoming sets its fees based on purpose of water use.

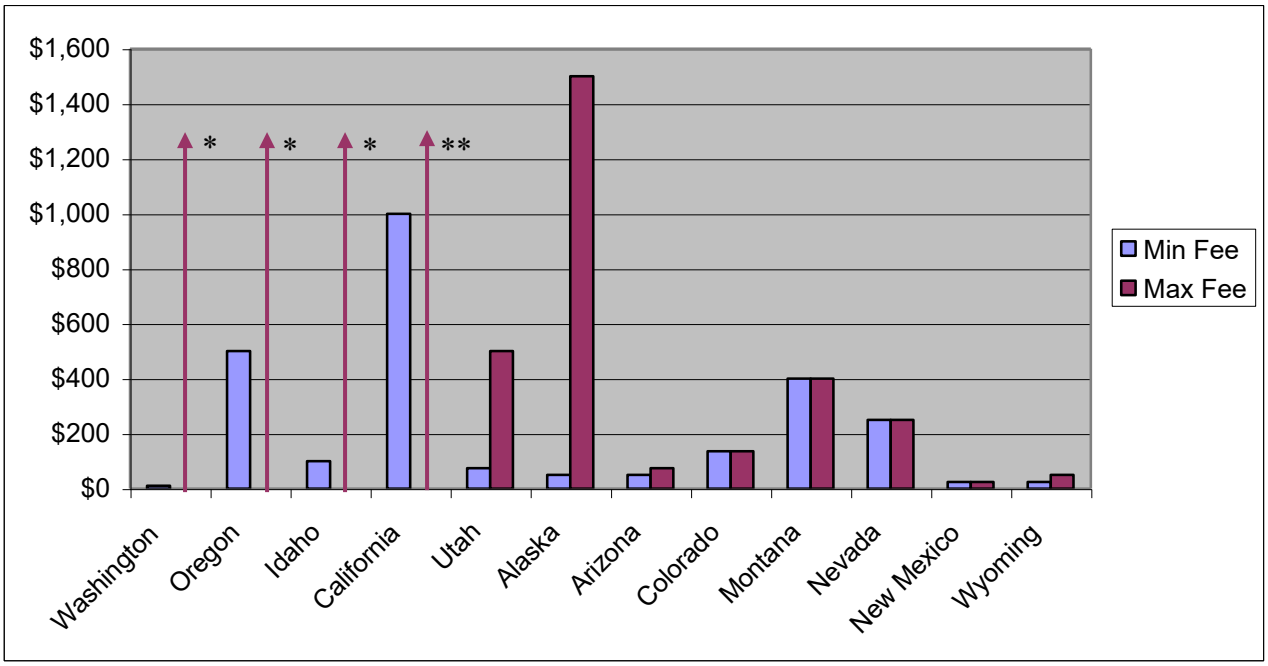
- **Minimum Fee**: The lowest minimum fee is $10 (Washington) and the highest minimum fee is $1000 (California). The average minimum fee is $210, although this number is skewed upward due to California's fee, which is double that of any other. The median minimum fee is $88.
- **Maximum Fee**: The lowest maximum fee is $25 (New Mexico). The highest maximum fee is undefined because four states have volume-based fees (Washington, Oregon, Idaho, and California).

[8] These charts were first developed by Kellie Westphal at Alaska Department of Natural Resources. Data presented here is updated based on current information. Many thanks to Kellie for sharing her analysis.

- In Washington, the application fee is $10 plus $2 per cfs for each second foot (cfs) between one and 500 cfs; 50 cents for each cfs between 500 hundred and 2,000 cfs; 20 cents for each cfs in excess of 2,000 cfs. See Figure 12 for example fees for small, medium, large and very large uses in Washington State.

Figure 17: Comparison of New Surface Water Right Application Filing Fees in 12 States

	States with Volume-Based Fee							States with Non-Volume Based Fee				
	WA	OR	ID	CA	UT	AK	AZ	CO	MT	NV	NM	WY
Min Fee	$10	$500	$100	$1,000	$75	$50	$50	$136	$400	$250	$25	$25
Max Fee	↑*	↑*	↑*	↑**	$500	$1,500	$75	$136	$400	$250	$25	$50



Notes for graph:
* Upper limits for Washington, Oregon and Idaho are based on volume.
** California charges a one-time application fee (greater of $1,000 or $10 per acre-foot per annum) and an annual fee (greater of $100 or $0.03 per acre-foot per annum).

6.4.1 Water Right Program Funding

Figure 18 displays data from fifteen states regarding their water right program funding.[9] The chart lists the percent of general fund used to support the program, and the percent of the water right program supported by water right fees (application, change, transfer, annual, etc.).

With the exception of California, which enacted an annual fee in FY2003-04 designed to fully fund their water right program, all other state water right programs receive more than 50% of their operating budget from the general fund. Seven of the fifteen states receive more than 90% of their operating budget from the general fund. Colorado also enacted an annual "Water Administration Fee" in 2003 (SB 03-278), but repealed it in 2004 (HB 04-1402).

[9] This data was collected by Gary Prokosch, Chief of the Water Resources Section, Alaska Department of Natural Resources, and was updated based on current information. Many thanks to Gary for sharing his data and analysis.

In Washington State during the FY2001-03 biennium, 70% ($5.04 million) of the water rights program budget was provided by the state general fund and 30% ($2.17 million) was from the water quality account. For FY2003-05 biennium, water right fees are projected to total $58,032, which represents about ½ percent of total water right program costs of $11,392,000.

Figure 18: Comparison of Water Right Program Funding in Fifteen States
%GF=percent of water right program costs supported by the General Fund; table is sorted low to high by this field.
%Fees=percent of water right fees (application, change, transfer, annual, etc.) contributing to water rights program budget

STATE	% GF	% FEES*	COMMENTS
California	0%	88%	Annual fee based on permitted volume is designed to "fully fund" water rights activities. Fees generated $7.76 million of $9.35 M budget; Other contributing revenues: federal reimbursements (4%); tobacco tax (3%); and other funds (5%).
Alaska	54%	46%	In FY 04, funding was made up of 54% GF, and fees made up only 46%
Oregon	65%	35%	Fees updated in October 2003 seek 35% cost recovery. Fees are deposited in interest-bearing water rights operating fund account. Program has 10.5 FTE, who cost $650K annually.
WASHINGTON	**70%**	**½ %**	For FY2003-05 biennium, water right fees are projected to total $58,032, which represents about ½ % of total water right program costs of $11,392,000.
Kansas	77.5%	16.5%	3% from administrative fines & 3% other sources; $3 million budget
Colorado	80%	20%	Colorado enacted an annual "Water Administration Fee" in 2003, but repealed it in 2004.
Arizona	85%	15%	An annual groundwater withdrawal fee is charged in five metropolitan Active Management Areas.
Nevada	91%	29%	Collect $1.5 million in fees annually, which go to GF. Program budget is $5.1 million.
South Dakota	94.4%	5.6%	
Utah	95%	2%	3% from sales tax; generate $350K from fees; amount over $150K is transferred to GF.
Wyoming	96%	4%	All fees deposited to GF; fees are 4% of total budget; Fees generate $700-750K per year.
Nebraska	98%	2%	Groundwater well registration fees provide less than 2% to Water rights program
North Dakota	99%	<1%	
Texas	100%	Not available	Watermaster programs are supported separately by fees paid by water right holders.
Idaho	Not available	6%	FY2004 Water Management Program budget is $5.3 million. Water right fees contribute $328,700; fees are placed in separate account. Program receives support from state, federal and fee sources. Dept. of Water Resources budget is $21.1 million.

7 Adjudication

The complexity of managing the state's water resources is exacerbated by the difficulty in authoritatively or efficiently analyzing and comparing information from the separate data and information bases of (a) permitted and certificated water rights, and (b) "claimed water rights", including the incertitude of elements of claimed rights on file with DOE. One approach to addressing this problem is adjudication of water rights.

According to the *Water Disputes Task Force Report to the Washington State Legislature* (December 2003), "A general adjudication of water rights in Washington is conducted according to procedures provided in the Water Code. *See* RCW 90.03.105 through 90.03.245 and 90.44.220. In a general adjudication, the court determines the validity, extent, and relative priorities of all existing water rights for a specific basin, surface water body, or ground water body. The product of a general adjudication is a final decree followed by adjudication certificates issued by Ecology. The final court decree and the adjudication certificates specify the validity of each water right in the basin and identify the priority and quantity of each right. These products serve the prior appropriation system by establishing the priority of rights. By themselves, however, these products do not "manage" or "administer" water use. Rather, they provide information that is used in the management and administration of Washington's water. For example, in a water short year, in a basin that has been adjudicated, Ecology may regulate (reduce or turn off) junior water rights to ensure that senior water rights receive the water to which they are entitled. Also, the adjudication decree provides baseline information that Ecology uses when it makes decisions in an adjudicated basin on applications for new water rights or applications for changes to existing water rights."

The costs of a complex adjudication can be large, although simpler adjudications are not as costly. In the Yakima basin surface water adjudication (also referred to as the *Acquavella Adjudication*), direct costs to the state have averaged about $2 million per biennium since the initiation of the adjudication in 1977 (Water Disputes Task Force Report, Appendix K).[10] In addition, costs have also been incurred by the Yakama Nation, federal agencies, and private and public claimants.

Current state law (RCW 90.03.243) provides that the state's expenses in conducting general water rights adjudications "shall be borne by the state." This provision was enacted in 1982.

Before 1982, the expenses of an adjudication were shared by the state and claimants who ended the proceedings with confirmed certificates of water rights, on a pro rata basis. When general adjudications were first authorized in 1917, the costs of adjudication proceedings were borne by claimants who ended up with certificated water rights.

The shift away from funding by claimants (in total, or in part) of adjudications was primarily due to the Acquavella adjudication (Yakima Basin), and the complexity, duration, and relatively higher costs of that adjudication.

[10] Recent direct costs to the state are estimated at $3,635,000 per biennium, and include costs associated with Ecology's Adjudication Unit, Referee's Office, Ecology indirect costs, Attorney General, Ecology/Yakima County contracts, and Yakima Superior Court (Source: Water Disputes Task Force Report, Appendix K).

In cases where exceptions are filed by claimants to the report of the department in a general adjudication, and a superior court takes additional evidence, or refers the matter to the department to take additional evidence, the court is allowed to apportion costs among the parties. See RCW 90.03.200.

For adjudications of limited duration and complexity, the legislature may wish to consider the possibility of partly funding such adjudications through claimant fees.

Appendices

Appendix 1: Abbreviations

Appendix 2: Meeting Dates and Locations

Appendix 3: Ecology Water Resources Operations Budget History

Appendix 4: FY 2006-07 Water Resources Program Maintenance Level by Activity

Appendix 5: Washington Department of Fish and Wildlife Water Resources Budget memo

Appendix 6: Washington Department of Health Water Resources Budget memo

Appendix 7: Water-Related Fee Program Fee Schedules

Appendix 8: Water Right Application Processing Flow Charts (3)

- New Water Right Permit Process
- Change Existing Water Right Permit Process
- Change Existing Water Right Permit Process – Water Conservancy Boards

Appendix 9: WSU-UW Policy Consensus Center

Appendix 1: Abbreviations

Cfs	Cubic feet per second
DJ	Dingell-Johnson
DCTED	Department of Community, Trade and Economic Development
DOH	Department of Health
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
FTE	Full time equivalent
FY	Fiscal Year
GF	General Fund
GF-PL	General Fund – Private/Local
HB	House Bill
O&M	Operations and Maintenance
OFM	Office of Financial Management
RCW	Revised Code of Washington
ROD	Record of Decision
SB	Senate Bill
SSB	Substitute Senate Bill
USGS	United States Geological Survey
UW	University of Washington
WDFW	Washington Department of Fish and Wildlife
WR Admin	Water Rights Administration
WSU	Washington State University

Appendix 2: Meeting Dates and Locations

The Water Resources Administration and Funding Task Force met nine times in Bellevue or Olympia between August 9 and December 15, 2004. Meeting dates and locations are listed below:

1. Monday, August 9th, 9:30 a.m. to 4:00 p.m.
   John L. O'Brien Building, 504 15th Ave. S.W., 1st Floor, Hearing Room C, Olympia

2. Wednesday, August 25th, 10:00 a.m. to 3:00 p.m.
   John L. O'Brien Building, 504 15th Ave. S.W., 1st Floor, Hearing Room A, Olympia

3. Wednesday, September 8th, 12:30 p.m. to 4:30 p.m.
   Dept. Ecology, NW Regional Office, 3190 160th Avenue SE, Conference Room 2A, Bellevue

4. Tuesday, September 28th, 9:00 a.m. to 1:00 p.m.
   Dept. Ecology, NW Regional Office, 3190 160th Avenue SE, Conference Room 2A, Bellevue

5. Thursday, October 14th, 10:00 a.m. to 2:00 p.m.
   John L. O'Brien Building, 504 15th Ave. S.W., 1st Floor, Hearing Room A, Olympia

6. Tuesday, October 26th, 9:00 a.m. to 1:00 p.m.
   Dept. Ecology, NW Regional Office, 3190 160th Avenue SE, Conference Room 2A, Bellevue

7. Tuesday, November 9th, 10:00 a.m. to 2:00 p.m.
   John L. O'Brien Building, 504 15th Ave. S.W., 1st Floor, Hearing Room C, Olympia

8. Tuesday, November 23rd, 9:00 a.m. to 1:00 p.m.
   Dept. Ecology, NW Regional Office, 3190 160th Avenue SE, Conference Room 2A, Bellevue

9. Tuesday, December 7th, 10:00 a.m. to 2:00 p.m.,
   John L. O'Brien Building, 504 15th Ave. S.W., 1st Floor, Hearing Room A, Olympia

The Task Force wishes to thank the staffs of the John L. O'Brien Building and the Department of Ecology's Northwest Regional Office for their assistance in providing meeting space and technical support for Task Force meetings.

Appendix 3: Ecology Water Resources Operations Budget History

WATER RESOURCES BUDGET HISTORY

In current dollars (adjusted for inflation)[1]

Water Resources Program Functions		1979-81 Biennium	1981-83 Biennium	1983-85 Biennium	1985-87 Biennium	1987-89 Biennium	1989-91 Biennium	1991-93 Biennium	1993-95 Biennium	1995-97 Biennium	1997-99 Biennium	1999-01 Biennium	2001-03 Biennium	2003-05 Biennium[2]
Water Rights Administration	Funding	$7,828,866	$6,487,410	$6,198,003	$5,990,596	$5,615,051	$6,763,298	$9,560,150	$6,864,508	$3,062,462	$4,844,215	$3,848,179	$10,265,023	$10,937,168
	Staffing	53.0	48.0	48.0	45.0	45.0	51.9	67.0	46.3	19.5	26.9	23.2	56.9	57.0
Enforcement/ Compliance	Funding	Included in WR Admin.	Included in WR Admin.	Included in WR Admin.	Included in WR Admin.	Included in WR Admin.	$635,638	$1,582,707	$1,636,691	$1,233,124	$189,397	$822,541	$1,036,810	$825,034
	Staffing						4.3	9.9	10.2	9.7	1.1	4.8	6.6	6.4
Well Construction Inspection and Licensing	Funding	$148,454	$134,892	$129,784	$666,144	$623,734	$945,479	$1,319,871	$1,690,647	$2,662,243	$1,432,645	$1,653,562	$1,509,189	$1,208,046
	Staffing	1.0	1.0	1.0	5.0	5.0	6.4	7.4	7.0	6.5	6.8	8.8	8.3	6.8
Water Rights Adjudications	Funding	$1,298,969	$1,500,000	$1,301,165	$1,663,009	$2,069,465	$3,144,947	$3,157,743	$1,902,878	$2,276,741	$2,529,178	$2,187,476	$2,335,176	$2,872,837
	Staffing	8.0	10.0	10.0	10.0	12.0	14.2	16.6	9.5	12.0	11.1	9.9	9.8	9.8
Dam Safety/Engineering	Funding	Not w/in the WR Program	Not w/in the WR Program	Not w/in the WR Program	Not w/in the WR Program	Not w/in the WR Program	$1,125,000	$1,251,311	$1,254,722	$685,048	$1,703,451	$2,579,467	$2,695,135	$3,704,652
	Staffing						6.0	6.7	6.2	6.0	7.0	12.5	9.6	10.3
Information Management	Funding	No specific activities	No specific activities	No specific activities	$478,056	$1,156,295	$1,340,426	$2,941,906	$3,010,793	$1,283,024	$1,610,537	$3,365,398	$3,597,499	$3,518,322
	Staffing				2.0	4.0	7.7	15.1	9.1	6.0	8.5	10.6	12.7	17.1
Policy, Planning, Instream Flows, Watersheds	Funding	$3,115,464	$1,728,417	$1,615,641	$2,597,179	$2,024,602	$2,460,106	$3,995,050	$2,708,633	$4,243,579	$4,321,828	$3,731,611	$5,552,680	$5,758,609
	Staffing	14.0	8.0	6.0	10.0	7.0	9.5	11.8	12.9	26.5	22.1	21.5	25.1	30.4
Program Administration	Funding	$622,680	$685,252	$637,271	$589,342	$625,181	$848,404	$763,253	$971,244	$1,073,499	$1,302,912	$731,092	$788,592	$754,507
	Staffing	5.0	5.0	5.0	4.0	4.5	5.0	3.4	4.4	5.0	5.0	4.0	4.0	3.7
Drought Activities	Funding	No drought event	No drought event	No drought event	No drought event	$209,841	$66,489	$233,888	$374,101	$395,074	$6,427	$623,241	$890,467	$60,132
	Staffing					1.5	0.5	2.0	5.0	5.4	0.0	2.5	4.2	0.4
Totals	Funding	$13,011,433	$10,535,971	$9,881,864	$11,984,326	$12,324,169	$17,329,787	$24,805,87	$20,414,217	$16,294,794	$17,940,590	$19,542,567	$28,670,571	$29,639,307
	Staffing	81.0	72.0	70.0	76.0	79.0	105.5	9 139.9	110.6	96.8	88.5	97.8	137.2	141.9
Significant events affecting budget:			Economic recession Budget cuts		Well construction add		Water rights and compliance adds	Data mngt. adds	Water rights cut ('95)	Watershed adds		Info mngt adds Drought	Water right change add Instream flow add Drought	Instream flow add

Notes: 1. Dollar adjustments for inflation made to normalize to current values using the implicit price deflator published by the U.S. Department of Commerce and the Office of Financial Management.
2. FY2003-05 biennium totals do not include FY 2004 supplemental budget adds

Appendix 4: FY 2006-07 Water Resources Program Maintenance Level by Activity

8/15/2004	FY 2006-07 Water Resources Program Maintenance Level by Activity Projected - Reflecting FY 2005 Supplemental Operating Budget																					
ACTIVITY	**A001**		**A003**		**A011**		**A024**		**A029**		**A035**		**A044**		**A053**		**A059**		**A061**		**Totals**		
	Adjudications		**Instream Flows**		**Dam Safety**		**Water Rights**		**Drought/ Climate**		**Compliance**		**Data/ Information**		**Well Construction**		**Watershed Support**		**Water Use Efficiency**				
FUND	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**FY06**	**FY07**	**Bien-nium**
FTE	9.3	9.3	15.8	15.8	8.0	8.0	60.6	60.6	0.4	0.4	7.8	7.8	19.0	19.0	7.5	7.5	8.8	8.8	7.2	7.2	144.4	144.4	144.4
001-1 General Fund - State	1,331,816	1,312,315	1,048,669	1,033,314	868,286	855,572	5,033,400	4,959,698			639,589	630,224	870,023	857,284			693,561	683,405	180,953	178,304	10,666,297	10,510,116	21,176,413
001-2 General Fund - Federal			35,000	35,000															1,521,711	1,521,711	1,556,711	1,556,711	3,113,422
001-7 General Fund - Private/Local			100,000	100,000			1,306,874	1,306,875													1,406,874	1,406,875	2,813,749
027-1 Reclamation Revolving													239,549	239,549	537,035	537,034					776,584	776,583	1,553,167
032-1 Emerg. Water Projects Revolving									730,643												730,643	-	730,643
05W-1 State Drought Preparedness Account									149,800										290,726	290,726	440,526	290,726	731,252
072-1 Referendum 38																			245,710	245,710	245,710	245,710	491,420
116-6 Basic Data - Non Approp.													155,000	155,000							155,000	155,000	310,000
139-1 Water Quality Account			248,986	248,986			1,456,043	1,456,042					444,933	444,933			155,432	155,432			2,305,394	2,305,393	4,610,787
Totals	**1,331,816**	**1,312,315**	**1,432,655**	**1,417,300**	**868,286**	**855,572**	**7,796,317**	**7,722,615**	**880,443**	**-**	**639,589**	**630,224**	**1,709,505**	**1,696,766**	**537,035**	**537,034**	**848,993**	**838,837**	**2,239,100**	**2,236,451**	**18,283,739**	**17,247,114**	**35,530,853**

Appendix 5: Washington Department of Fish and Wildlife Water Resources Budget memo

STATE OF WASHINGTON
Department of Fish and Wildlife
Intergovernmental Resources Management

Memorandum

November 30, 2004

TO: Joe Stohr
Manager, Water Resources Program
Department of Ecology

FROM: Carl Samuelson
Water and Habitat Policy

SUBJECT: WDFW water resources programs and activities

At the October 26, 2004 Water Resources Funding Task Force meeting, I was asked to provide a memo regarding "WDFW water resource program activities and expenses" for inclusion in the committee report. The following is similar to that which I presented orally at an earlier meeting and which Ken Slattery also summarized, in part, for WDFW's instream flow science unit. I've included WDFW's stream flow science unit and FERC licensing as WDFW's primary water resources activities. Admittedly, FERC licensing also involves other important habitat concerns in addition to stream flows, including fish passage and wildlife habitat mitigation. It's important to point out, however, that stream flow issues are a key concern for the agency in these negotiations. I've not included general 2514 technical support staffing except to the extent that WDFW's stream flow unit provides technical support for the development of 2514 flow recommendations. FTE's presented below represent people actually doing the work and do not include related administrative support. Dollars presented, however, are based on standard OFM fiscal note calculations and do include direct overhead. With those clarifiers, a description of WDFW's water resource program activities and expenses follows:

The Washington State Department of Fish and Wildlife (WDFW) currently provides statewide water resources support in two primary areas, a.) instream flow science and b.) FERC hydropower project licensing.

WDFW's Stream Flow Science Unit is located within its Science Division, Habitat Program. The unit includes seven FTEs with a biennial operating requirement of $1.3 million. Staff works closely with Water Resources Program staff at Ecology to provide fish flow science and support complementary agency actions and/or authorities and to best leverage state resources. Demand for support from staffs in both agencies is expected to continue to be high over the next several years. Currently, funding for the unit is entirely from pass-through contracts with Ecology. Approximately 80% of the unit's funds are from a one-time federal grant (expires Dec. 31, 2006) passed through to Ecology via the Salmon Recovery Funding Board. The remaining 20% is from

state funds (water quality account and state general fund). Current WDFW funding is budgeted through June 2005 only. WDFW has submitted an add of $1.01 million from the state general fund in its 2005-07 biennial budget proposal to provide replacement funding for the 5.5 FTEs currently supported by the above federal grant funds. Any carry over of these funds made available to WDFW for FY 05-07 will reduce the agency's initial need (but not the total or ongoing need) for replacement funding. A summary of functions, FTE's, and current funding sources for WDFW's Stream Flow Science Unit follows:

Function	FTE's	Supports	Funds Source
Stream Flow Science	3.5	Supports 2514 and state instream flow setting, other watershed or stream flow processes, and related activities.	Ecology pass through – federal grant
Water Right Applications	1.5	Review of water right applications (new rights, transfers, and changes) per 77.55.050 RCW.	Ecology pass through-state
Flow Restoration	2.0	Statewide water acquisition, flow restoration, and monitoring programs	Ecology pass through – federal grant

WDFW's FERC hydropower licensing support function resides in its Major Projects Division, Habitat Program. Current funding provides for 4.5 FTEs with a biennial operating requirement of $780,000. These funds provide for representation of fish and wildlife needs during major FERC hydropower licensing actions only. Agency staff support for small hydro project licensing was eliminated during recent budget cuts. Among other concerns, a key responsibility for these positions is to provide for license conditions to support water management consistent with providing stream flow levels and timing to meet salmonid habitat, passage, and other needs. Current funding is approximately 70% from the state general fund and 30% from federal Dingell-Johnson (DJ) funds. Current staffing provides for licensing negotiations, but not for license implementation, performance monitoring, or follow-up. Currently, these FTEs support approximately 40 re-licensing processes, statewide. Demand for re-licensing participation, especially, is expected to continue to increase through at least 2012. Staffing and funding needs are expected to more than double to accommodate this and the growing need to also provide support for implementation, monitoring, and adaptive management of license conditions. At the same time federal sources of funding (including DJ) are expected to continue to decline. A summary of functions, FTEs, and funding sources follows:

Function	FTE's	Supports	Funds Source
FERC Hydropower Project Licensing	4.5	Representation of fish and wildlife stream flow, habitat, and other needs during licensing and relicensing negotiations.	State GF, 70% Federal DJ, 30%

Appendix 6: Washington Department of Health Water Resources Budget memo

STATE OF WASHINGTON
DEPARTMENT OF HEALTH
OFFICE OF DRINKING WATER
NewMarket Industrial Campus, Bldg. 3 • PO Box 47822 • Olympia, Washington 98504-7822
Tel: (360) 236-3100 • Fax: (360) 236-2252 • *TDD Relay Service: 1-800-833-6388*

December 6, 2004

To: Joe Stohr
Manager, Water Resources Program
Washington State Department of Ecology

From: Denise Addotta Clifford
Director, Office of Drinking Water
Washington State Department of Health

Re: Office of Drinking Water - Water Resource Programs and Activities

At the October meeting of the Water Resources Funding Task Force, the department was asked to provide a memo summarizing the activities and programs within the Department of Health, specifically the Office of Drinking Water, that support the type of the water resource programs and activities being examined by the task force.

As was stated at the meeting, the Department of Health has a limited role in the administration and support of state water resource programs. Our core functions include the support, protection, and management of public water supplies and the implementation of federal and state drinking water regulations. As you know, there are elements related to the coordination and management of public water supplies that overlap with Department of Ecology's water resource programs. Most of it falls under the umbrella of the Municipal Water Law and the work we are doing to implement its provisions. Work on the Municipal Water Law can be broken down into three main elements:

- Water Conservation / Water Use Efficiency Rule
  - Development (to be completed by 12/2005)
  - Implementation (on-going from 1/2006)
- Revisions to the water system plan review process to address expanded coordination as outlined in the law (with the departments of Ecology, Community Trade and Economic Development, and Fish and Wildlife).
- Implementation of the expanded water system planning process.

Funding to support these activities primarily comes from one of two areas:

- Water system plan review fee – The department currently charges a fee for water system plan reviews. We expect that as a result of the expanded scope of the water system planning and coordination process, more systems will be required to submit plans to the department.
- The residential connection surcharge: This is a 25 cent per residential connection surcharge added to the department's existing water system operating permit. The funds generated by the surcharge support conservation activities including rule development and implementation. The surcharge is scheduled to sunset on June 30, 2007.

Currently the Office of Drinking Water has 7 FTEs working on the Municipal Water Law and related water system planning activities. This estimate includes the 5.5 FTEs allocated to the department by the authorizing legislation and an additional 1.5 FTEs (reflecting the temporary realignment of existing staff) to support the coordination and stakeholder activities associated with the expanded water system plan review process. The table below outlines the related operating funds for the 2003 - 2005 biennium. It reflects both the residential surcharge and the expanded collection of fees for new water system plans.

Program	Program Outcomes	Current Operating Funds ($$ & FTE's)	Operating Fund Source
DOH – Implementing Municipal Legislation	• Draft rules for water conservation/water efficiency, implement new requirements and provide technical assistance (by 12/31/05). • Revise Water System Plan (WSP) and Small Water System Management Program (SWSMP) requirements to address new statutory provisions. • Update water system planning review & consultation process to address coordination with Ecology, WDFW, DCTED and local planning entities. • Implement residential connection surcharge as part of operating permit fee to fund DOH implementation of the municipal legislation.	$111,000 (5.5 FTEs) $171,000[1] $784,000[2]	GF-State 001-1 GF-State/Local 001-7[1] GF-State/Local 001-7[2]

Notes:
[1] New Water System Plan Review Fee Collection
[2] New Residential Connection Surcharge Fee

The issues that the Water Resources Funding Task Force are reviewing are complex and may not have a single set of simple solutions. The department supports the task force's efforts exploring the long term funding needs for managing Washington's water resources. Ultimately, securing and supporting effective water resource management in the state will assist the Office of Drinking Water in accomplishing our mission to assure safe and reliable drinking water now and into the future.

If you have any further questions about this information please contact Ginny Stern at 360-236-3134.

Appendix 7: Water-Related Fee Program Fee Schedules

Water Fees Authorized Under RCW 90.03.470

Fee (RCW provision #)	Schedule	Status
1. Water Right Application (1)	▪ A minimum of $10. The $10 dollar fee payable with the application is credited to the amount whenever the fee totals more than $10 under the schedule: o $2 per cfs for each second foot (cfs) between one and 500 cfs o 50 cents for each cfs between 500 hundred and 2,000 cfs o 20 cents for each cfs in excess of 2,000 cfs Note: For purposes of calculating fees for ground water filings, one cubic foot per second regarded as equivalent to four hundred fifty gallons per minute (14)	In use
2. Water Storage Application (1)	▪ 1 cent per acre foot of storage up to and including 100,000 ▪ 1/5 cent for each acre foot in excess of 100,000 acre feet	In use
3. Water Right Permit Filing and Recording (2)	▪ A minimum of $5 for filing and recording a permit to appropriate water ▪ 40 cents per acre foot for irrigation water for each acre to be irrigated up to and including one hundred acres o 20 cents per acre for each acre in excess of one hundred acres up to and including 1,000 acres o 10 cents for each acre in excess of one thousand acres ▪ 20 cents for each theoretical horsepower up to and including one 1,000 horsepower o 4 cents for each theoretical horsepower in excess of one 1,000 horsepower ▪ Twice the water right application fee for all other beneficial purposes except $5 for individual household and domestic use, which may include water for irrigation of a family garden	In use
4. Other Water Right Instrument Filing and Recording (3)	▪ $4 dollars for the first hundred words and 40 cents for each additional hundred words or fraction thereof	Not used
5. Copying recorded or filed documents (4)	▪ 40 cents for each hundred words or fraction thereof, but when the amount exceeds $20, only the actual cost in excess of that amount	Not used
6. Certifications (5)	▪ $2 for each certification of copies, documents, records or maps	Not used
7. Blue print copies or map drawing and similar work (6)	▪ Actual cost of the work	Not used

Fee (RCW provision #)	Schedule	Status
8. Permit extensions (7)	▪ One-half of the filing and recording fee for each year of extension of beginning construction work, except that the minimum fee shall be not less than five dollars for each year ▪ $5 for each year for extension of time for completion of construction work or completing application of water to a beneficial use	In use
9. Recording assignment of permit or application (10)	▪ $5	In use
10. Preparing and issuing water right certificate (11)	▪ $5	In use
11. Filing and recording application protest (12)	▪ $2	In use
12. Application surcharge (15)	▪ $100 for all water rights applications pending July 1, 1993	Expired one-time fee
13. Hydraulic work safety inspection (8)	▪ Actual cost of the inspection, including incidental expenses	Superceded by dam safety fee
14. Water storage controlling works plans specs. Safety exam (9)	▪ A minimum fee of $10 dollars, or the actual cost	Not used superceded by dam safety fee

Note: Revenue raised by current water right fees in FY 2004 totaled $34,032.

Who Pays How Much - Current Water Right Fee Examples

Example uses and volumes	Current Fees[1] (New or Change)	Cost Per CFS
Small use (domestic, garden, barn @ 0.1 cfs)	$20	$200
Medium size use (100 acre orchard or small water system @ 2 cfs)	$55	$27.50
Large use (municipal, industry or irrigation system @ 100 cfs)	$605	$6.05
Very Large use (municipal, industry or irrigation system @ 175 cfs)[2]	$1,055	$6.03

Notes:
1. Fee calculation includes charges for water right application, water right permit, and water right certificate.
2. "Very Large" category uses a representative volume derived by review of the eight top cfs volume surface water applications above 100 cfs processed for calendar years 2000-2004: $350 application fee ($2 * 175 cfs) + $700 permit fee (assume highest cost category @2* application fee) + $5 certificate fee = $1,055 total. For comparison, the same calculation applied to the largest application (2,000 cfs) yields a fee of $12,005.

Updated Dam Safety Fee Schedule – September 2004

Safety Inspections

- High hazard dams - $688 annual fee for 5 year inspection cycle
- Significant hazard - $250 annual fee for 10 year inspection cycle

Dam Construction / Modification Fees

- Recovery of actual costs for construction plan review, technical assistance inspections
- Minimum of $1,400 and maximum of $56,000

Well Construction and Licensing Fees

Construction

- Currently $100 / proposed $200 - for one water well, other than a dewatering well, with a minimum top casing diameter of less than twelve inches
- Currently $200 / proposed $300 - for one water well, other than a dewatering well, with a minimum top casing diameter of twelve inches or greater
- $40 - for a new resource protection well, except for an environmental investigation well
- $40 - for an environmental investigation well in which ground water is sampled or measured for up to four environmental investigation wells per project
- $10 dollars - each additional environmental investigation well constructed on a project with more than four wells
- $ 40 currently - the combined fee for construction and decommissioning of a dewatering well system for each two hundred horizontal lineal feet, or portion thereof, of the dewatering well system (currently)
  - $50 proposed - to decommission a water well
  - $20 proposed - to decommission a resource protection well, except for an environmental investigation well
  - $0 proposed - to decommission an environmental investigation well or a geotechnical soil boring

Licensing

- Renewal for each two year license - $100 one license - currently $20.00 - $150 for both licenses - currently $40.00
- New applicant – $50 applicant fee and $25 for each re-test - currently $25
- On-site exam – $250 fee for all on-site exams for all categories - currently no charge
- Expired license renewal fee - new category - $300 - currently $25 for new license

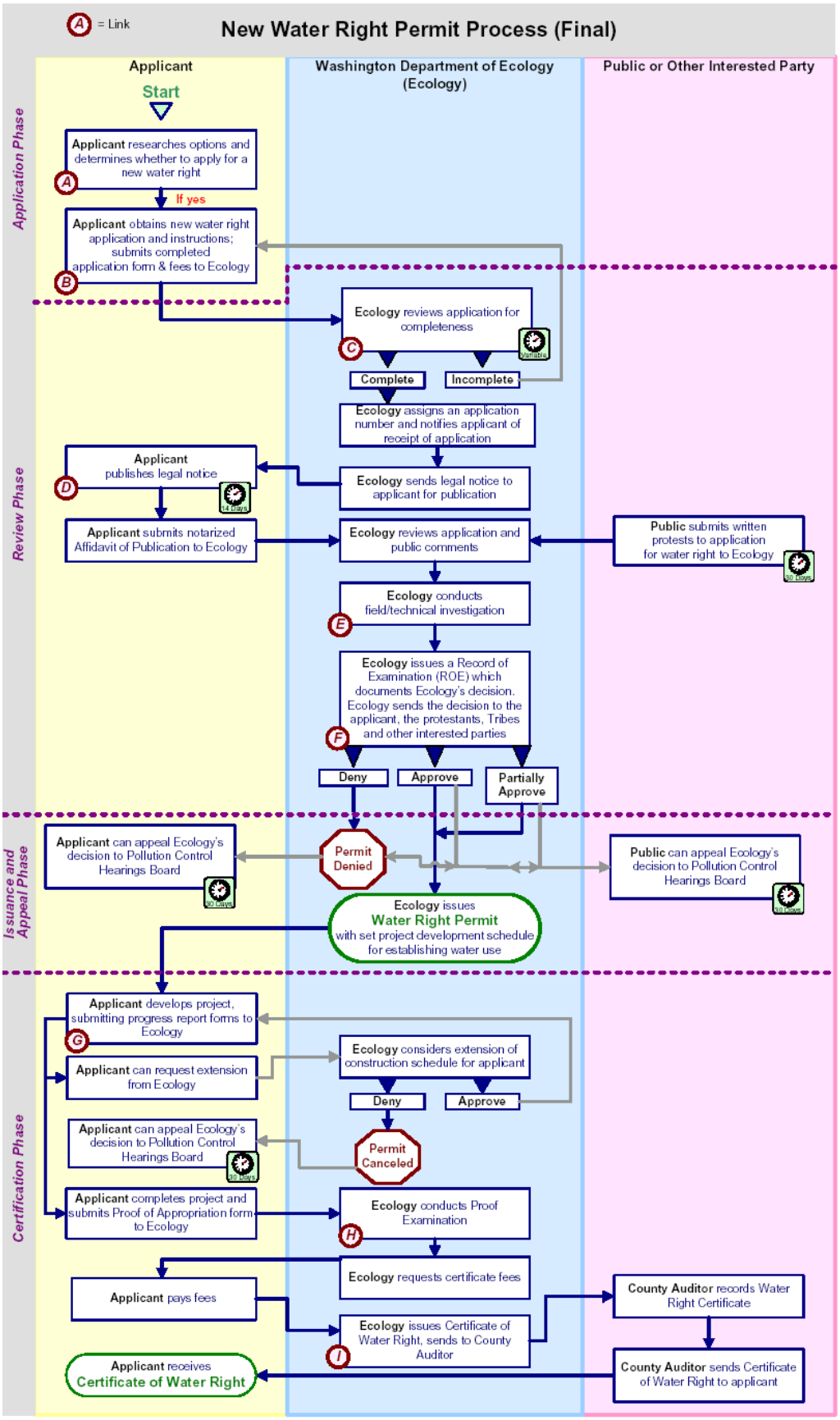
Fee Revenues and Expenditures

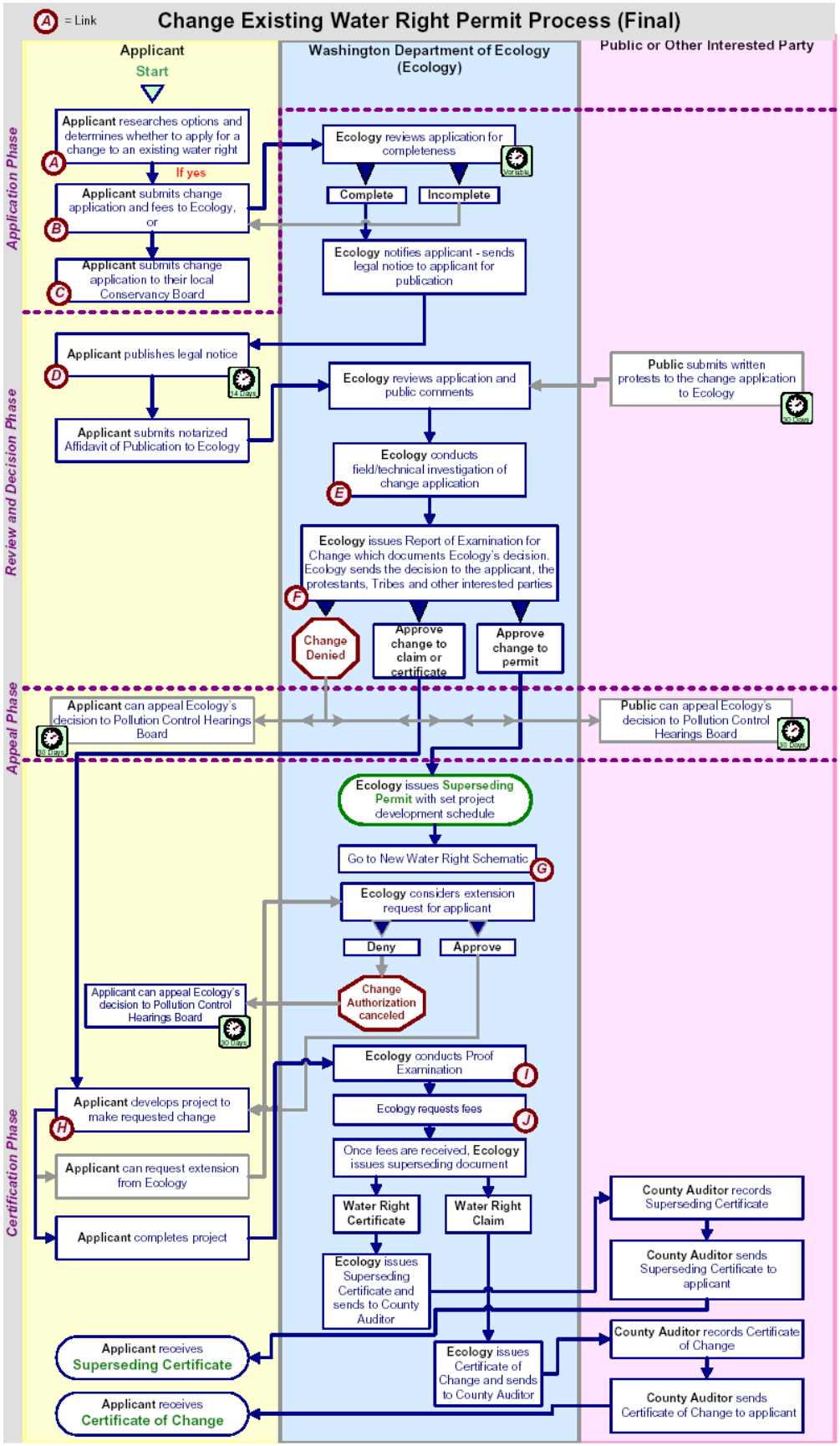
Dam Safety Fees				
	Actual	Estimated With New Fee Increases		
	FY 2004	FY 2005	FY 2006	FY 2007
Periodic Inspections		130,000	133,900	137,917
Safety Plan Review		104,000	133,900	137,917
Total Dam Safety Fee Revenue	28,132	234,000	267,800	275,834
Total Dam Safety Expenditure	695,000	857,000	857,000	857,000
% of Expenditures Fee Covered	**4%**	**27%**	**31%**	**32%**

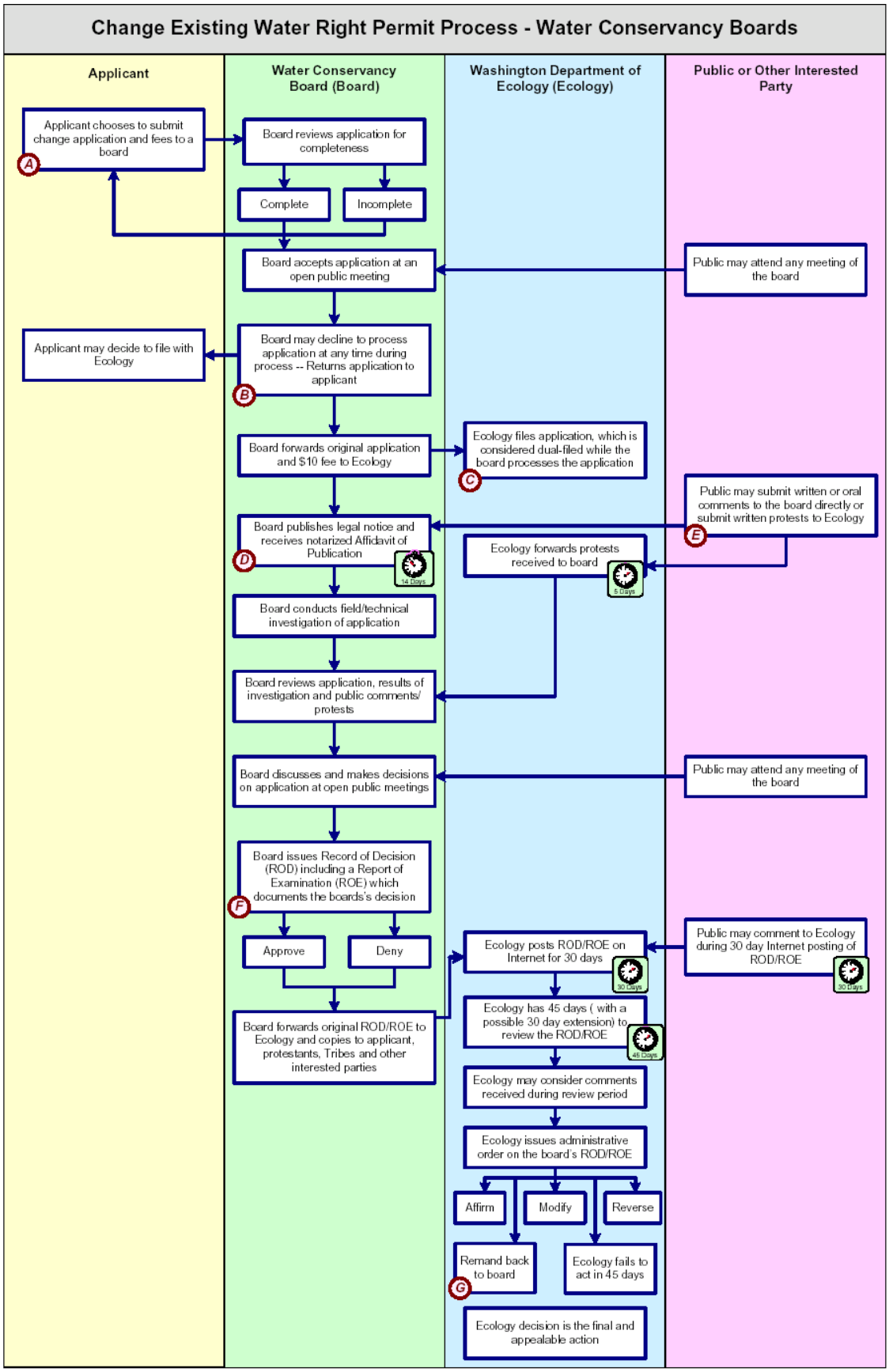
Well Construction and Licensing Fees				
	Actual	Estimated	Estimated With Proposed Fee Increases	
	FY 2004	FY 2005	FY 2006	FY 2007
Water wells	783,260	780,000	1,602,000	1,602,000
Monitoring wells	142,090	140,000	140,000	140,000
Dewatering wells	9,180	9,000	9,000	9,000
Well decommissioning			30,000	30,000
Resource protection wells	26,600	26,000	26,000	26,000
Transfer to Delegated Counties	(233,605)	(210,000)	(817,000)	(823,000)
Well Licenses Fees	11,170	11,000	33,000	33,000
Total Well Construction & Licensing Fee Revenue	738,695	756,000	1,023,000	1,017,000
Total Well Construction Licensing Cost	757,000	757,000	897,000	897,000
% of Expenditures Covered by Fees	**98%**	**99%**	**114%**	**113%**

Hydropower Fees				
	Actual	Estimated		
	FY 2004	FY 2005	FY 2006	FY 2007
Power License Fee Revenues	162,000	162,000	162,000	162,000
Power License Expenditures	198,000	200,000	203,000	206,000
% of Expenditures Covered by Fees	**82%**	**81%**	**80%**	**79%**

Appendix 8: Water Right Application Processing Flow Charts (3)




A = Link
Change Existing Water Right Permit Process (Final)
Applicant
Washington Department of Ecology (Ecology)
Public or Other Interested Party
Start
Application Phase
Review and Decision Phase
Appeal Phase
Certification Phase
Applicant researches options and determines whether to apply for a change to an existing water right
If yes
Applicant submits change application and fees to Ecology, or
Applicant submits change application to their local Conservancy Board
Ecology reviews application for completeness
Complete
Incomplete
Ecology notifies applicant - sends legal notice to applicant for publication
Applicant publishes legal notice
Applicant submits notarized Affidavit of Publication to Ecology
Ecology reviews application and public comments
Public submits written protests to the change application to Ecology
Ecology conducts field/technical investigation of change application
Ecology issues Report of Examination for Change which documents Ecology's decision. Ecology sends the decision to the applicant, the protestants, Tribes and other interested parties
Change Denied
Approve change to claim or certificate
Approve change to permit
Applicant can appeal Ecology's decision to Pollution Control Hearings Board
Public can appeal Ecology's decision to Pollution Control Hearings Board
Ecology issues Superseding Permit with set project development schedule
Go to New Water Right Schematic
Ecology considers extension request for applicant
Deny
Approve
Change Authorization canceled
Applicant can appeal Ecology's decision to Pollution Control Hearings Board
Ecology conducts Proof Examination
Applicant develops project to make requested change
Ecology requests fees
Once fees are received, Ecology issues superseding document
Applicant can request extension from Ecology
Water Right Certificate
Water Right Claim
Applicant completes project
Ecology issues Superseding Certificate and sends to County Auditor
County Auditor records Superseding Certificate
County Auditor sends Superseding Certificate to applicant
Applicant receives Superseding Certificate
Ecology issues Certificate of Change and sends to County Auditor
County Auditor records Certificate of Change
County Auditor sends Certificate of Change to applicant
Applicant receives Certificate of Change


Change Existing Water Right Permit Process - Water Conservancy Boards
Applicant
Water Conservancy Board (Board)
Washington Department of Ecology (Ecology)
Public or Other Interested Party
Applicant chooses to submit change application and fees to a board
A
Board reviews application for completeness
Complete
Incomplete
Board accepts application at an open public meeting
Public may attend any meeting of the board
Applicant may decide to file with Ecology
Board may decline to process application at any time during process -- Returns application to applicant
B
Board forwards original application and $10 fee to Ecology
Ecology files application, which is considered dual-filed while the board processes the application
C
Public may submit written or oral comments to the board directly or submit written protests to Ecology
E
Board publishes legal notice and receives notarized Affidavit of Publication
D
14 Days
Ecology forwards protests received to board
5 Days
Board conducts field/technical investigation of application
Board reviews application, results of investigation and public comments/ protests
Board discusses and makes decisions on application at open public meetings
Public may attend any meeting of the board
Board issues Record of Decision (ROD) including a Report of Examination (ROE) which documents the boards's decision
F
Approve
Deny
Ecology posts ROD/ROE on Internet for 30 days
30 Days
Public may comment to Ecology during 30 day Internet posting of ROD/ROE
30 Days
Board forwards original ROD/ROE to Ecology and copies to applicant, protestants, Tribes and other interested parties
Ecology has 45 days (with a possible 30 day extension) to review the ROD/ROE
45 Days
Ecology may consider comments received during review period
Ecology issues administrative order on the board's ROD/ROE
Affirm
Modify
Reverse
Remand back to board
G
Ecology fails to act in 45 days
Ecology decision is the final and appealable action

Appendix 9: WSU-UW Policy Consensus Center

The Water Resources Administration and Funding Task Force was staffed by the WSU-UW Policy Consensus Center.

The Policy Consensus Center is a partnership between Washington State University and the University of Washington that is dedicated to working as a neutral source of information and resources for problem-solving in the region. The PCC assists public, tribal, business, agribusiness, environmental, and other community leaders in their efforts to work together to build consensus and resolve conflicts around difficult public policy issues. In addition, the PCC helps advance the teaching, curriculum, and research missions of the two universities by bringing real-world policy issues to the campuses. The PCC's activities are intended to improve the capacity of parties and institutions to collaboratively solve their problems and to provide the appropriate resources, people, and processes when requested.

The Policy Consensus Center offers resources and services within Washington state, including:

- Providing a neutral and safe forum for parties to define the issues
- Conducting a conflict assessment to determine the most productive means of addressing the issues
- Marshaling the resources for collaborative problem solving
- Serving as a clearinghouse for resources and research to be used at the option of the parties
- Performing applied research
- Providing knowledge, training, and infrastructure development to improve the capacity of parties and institutions to collaboratively solve problems affecting the region
- Hosting policy discussions

The Policy Consensus Center is overseen by a board chaired by William D. Ruckelshaus and composed of prominent local and statewide leaders representing a broad range of constituencies and geographic locations in the region. The center is co-directed by Jonathan Brock at the University of Washington and Robert McDaniel at Washington State University. The Water Resources Administration and Funding Task Force was facilitated by Kelsey Gray (WSU Extension) and Jerry Cormick (UW Evans School of Public Affairs) and was staffed by Dan Siemann (Project Manager) and Roma Call, a graduate student in the Daniel J. Evans School of Public Affairs. The Policy Consensus Center thanks the members of the Water Resources Administration and Funding Task Force for their cooperation and courtesy in this process.

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