



Oregon

John A. Kitzhaber, MD, Governor

Oregon Watershed Enhancement Board

775 Summer Street NE, Suite 360

Salem, OR 97301-1290

(503) 986-0178

FAX (503) 986-0199

www.oregon.gov/OWEB



MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Renee Davis, Deputy Director

**SUBJECT: Agenda Item N: Other Business -- Upper Klamath Basin Comprehensive Agreement Update and Funding Request
January 27-28, 2015 OWEB Board Meeting**

I. Introduction

Implementation of the Upper Klamath Basin Comprehensive Agreement (Comprehensive Agreement) is underway. In January of 2014, the OWEB awarded \$750,000 for activities associated with the Water Use Program (WUP) under the Comprehensive Agreement. The Governor's Office is requesting the Board provide an additional \$125,000 to ensure that the water-use agreements committed to during Year 1 of the Transitional WUP are supported for a full three-year timeframe.

II. Background

In early December of 2013, Upper Klamath Basin irrigators, the Klamath Tribes and state and federal officials signed a tentative agreement to ensure water for both ranching operations and Tribal needs. On April 18, 2014, a Comprehensive Agreement was signed that formalizes water management and restoration in the upper basin. The agreement includes two components of particular relevance to OWEB: 1) A WUP designed to permanently increase stream flows into Upper Klamath Lake by at least 30,000 acre feet through targeted reductions of water use in key reaches of the tributaries to Upper Klamath Lake, with compliance with the Water Use Program designed in a way that provides a stable, sustainable basis for the continuation of irrigated agriculture in the Upper Klamath Basin; and 2) A Riparian Program designed to permanently improve and protect riparian conditions.

III. Progress to Date

The Board's January 2014 award in support of the WUP provided important funding for forbearance and temporary leasing of water rights and programmatic costs to ensure a credible and successful delivery system is in place locally to carry out the program, achieve water-conservation targets set for Year 1 in the Comprehensive Agreement, and allow for progress toward Year 2 targets. Approximately \$500,000 of the Board's award was allocated for funding of forbearance and temporary leasing of water rights, and \$250,000 was allocated for programmatic costs to design and begin implementation of the WUP. The U.S. Fish and Wildlife Service (USFWS) and the National Fish and Wildlife Foundation (NFWF) also are funding early implementation of the Water Use Program.

A total of 7,247.68 acre-feet of reductions in net consumptive use (which well exceeds the 5,000 acre-feet target set for 2014) have been approved by the Joint Management Entity for inclusion

in WUP ledger. These reductions were realized through a combination of previous efforts to protect water rights instream and/or reduce water use and new water use agreements that were entered into during the 2014 irrigation season.

Parties to the Comprehensive Agreement, along with funders, continue to meet regularly to further develop the necessary organizational structures required under the agreement, identify funding sources to support these structures including approaches for continued Congressional conversations given that funding was not approved in the FFY15 continuing resolution, and complete preparatory work needed in advance of the 2015 irrigation season (e.g., valuation of water rights for permanent transfers, revisions to current water-use agreements, drafting of riparian management agreements for use under the Riparian Program).

If funding is available, over the long term, the WUP will reduce water use through permanent water right retirement. In the near term and in conjunction with permanent retirements over the long term, other ongoing measures—such as forbearance and leasing of water rights, water conservation and efficiency, and upland management—will reduce net consumptive use of water in a predictable, quantifiable manner.

IV. Supplemental Funding Request

Participation in the WUP is voluntary. Landowner willingness to engage as early adopters in the Transitional WUP is an important demonstration of commitment to the Comprehensive Agreement, and should be supported. Year 1 (i.e., 2014) water-use agreement costs total approximately \$195,000 annually. The intent was to continue those leases for three years when the OWEB Board awarded funding to assist with the Transitional WUP. If those leases are continued for their full term, the need exceeds the amount for forbearance and lease payments initially envisioned under the award.

For this reason, the Governor's Office requests an additional \$125,000 to round out the funding needed to support the initial round of water-use agreements over a three-year period. A small amount of additional funding is built into this funding request to address minor changes to payment rates that may occur as a result of net consumption use and/or valuation updates and to coordinate and manage implementation of the water-use agreements for the remaining two years.

V. Recommendation

Staff recommend the Board award up to \$125,000 from the Land and Water Acquisitions line item in the 2013-2015 spending plan to the Transitional Water Use Program under the Upper Klamath Basin Comprehensive Agreement, as described in Section IV of this staff report, and delegate authority to the Executive Director to distribute the funds through appropriate grants and agreements, with an award date of January 28, 2015 to be used for any grant agreement(s).