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# Drinking Water Services

## Regulatory and Program Update

Dave Emme

Spring 2017





# Outline.

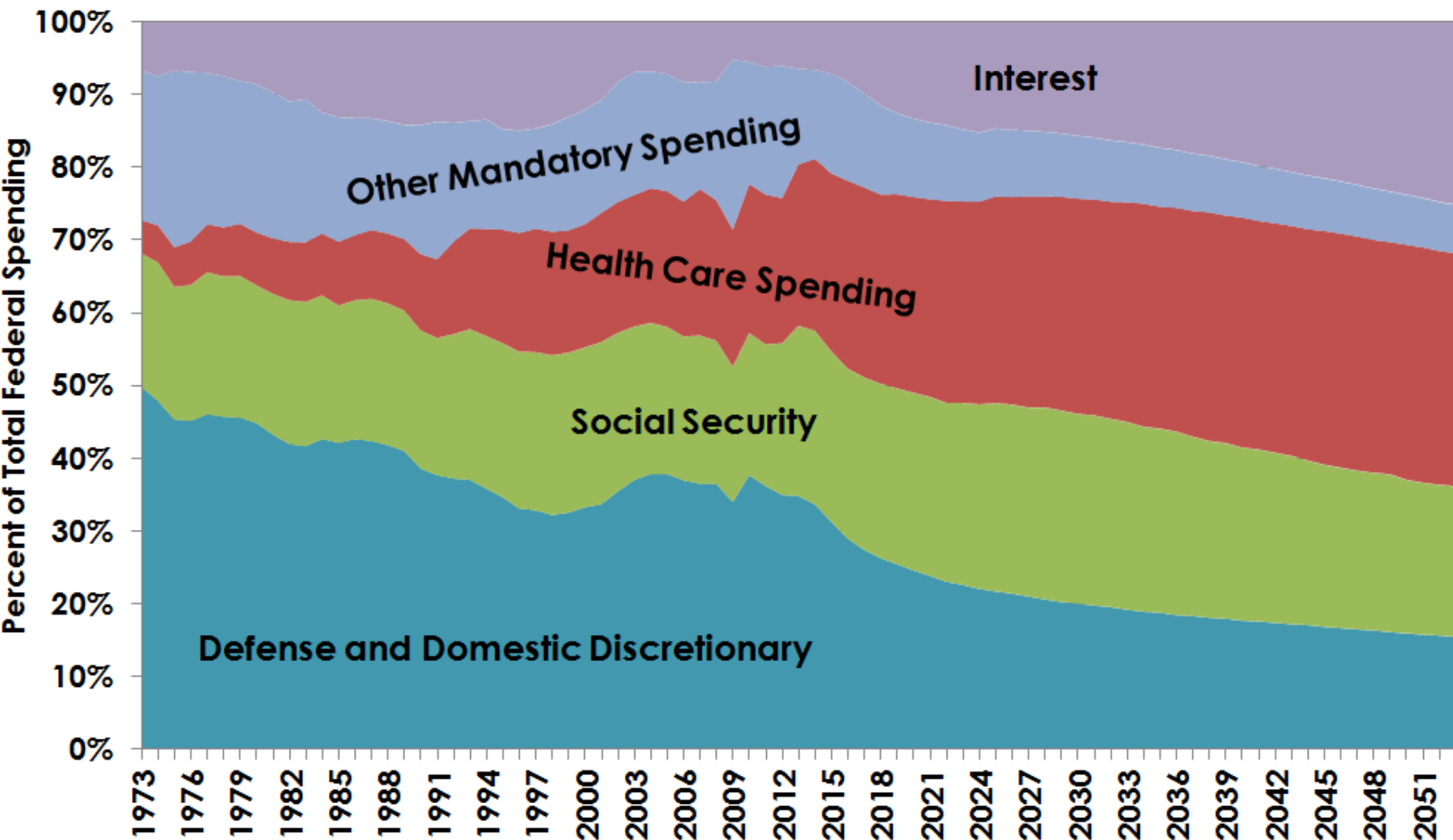
- Federal Budget outlook
- State Budget outlook
- Oregon's Drinking Water program

# Federal Outlook





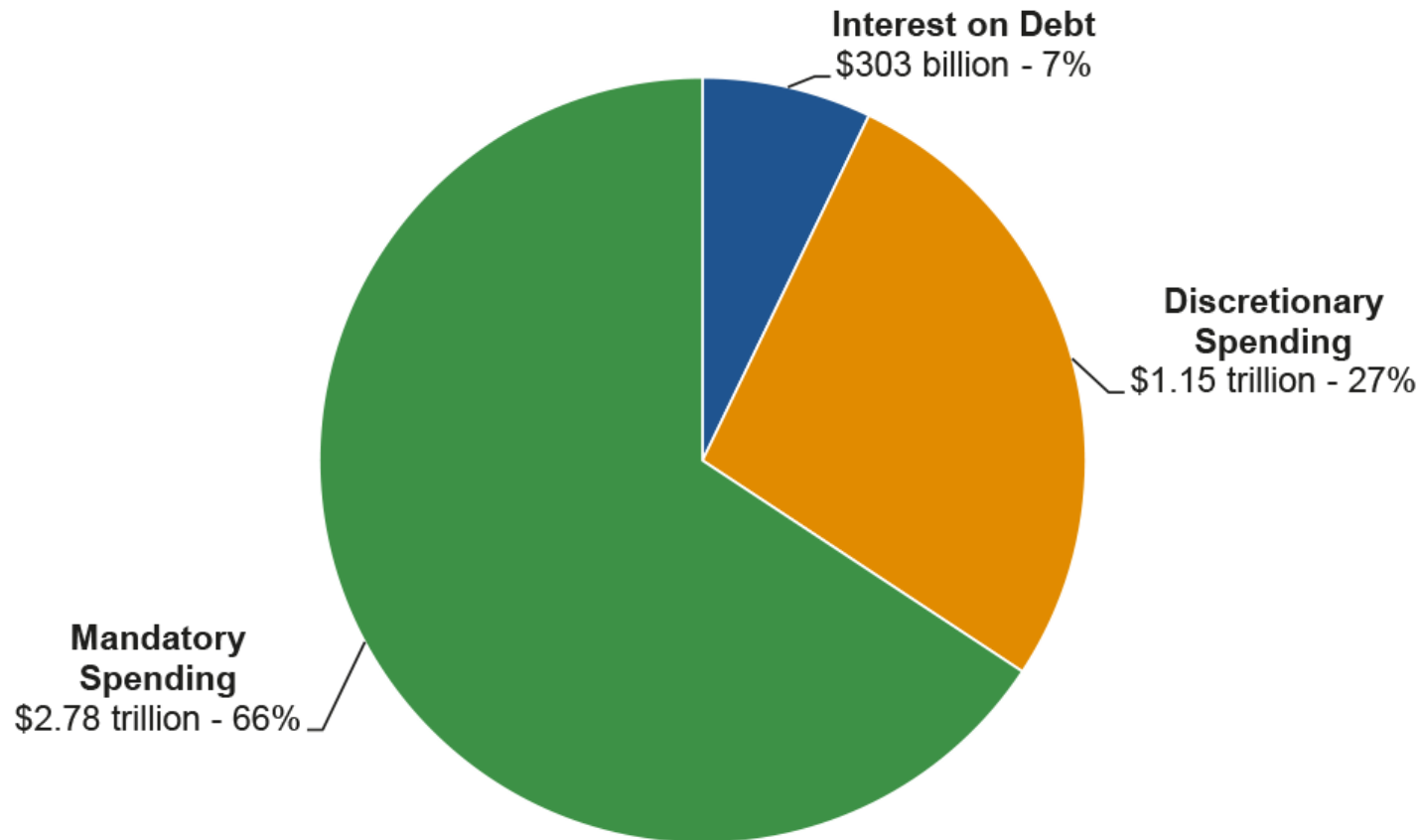
## NET INTEREST AND HEALTH CARE WILL CONTINUE TO CROWD OUT OTHER SPENDING



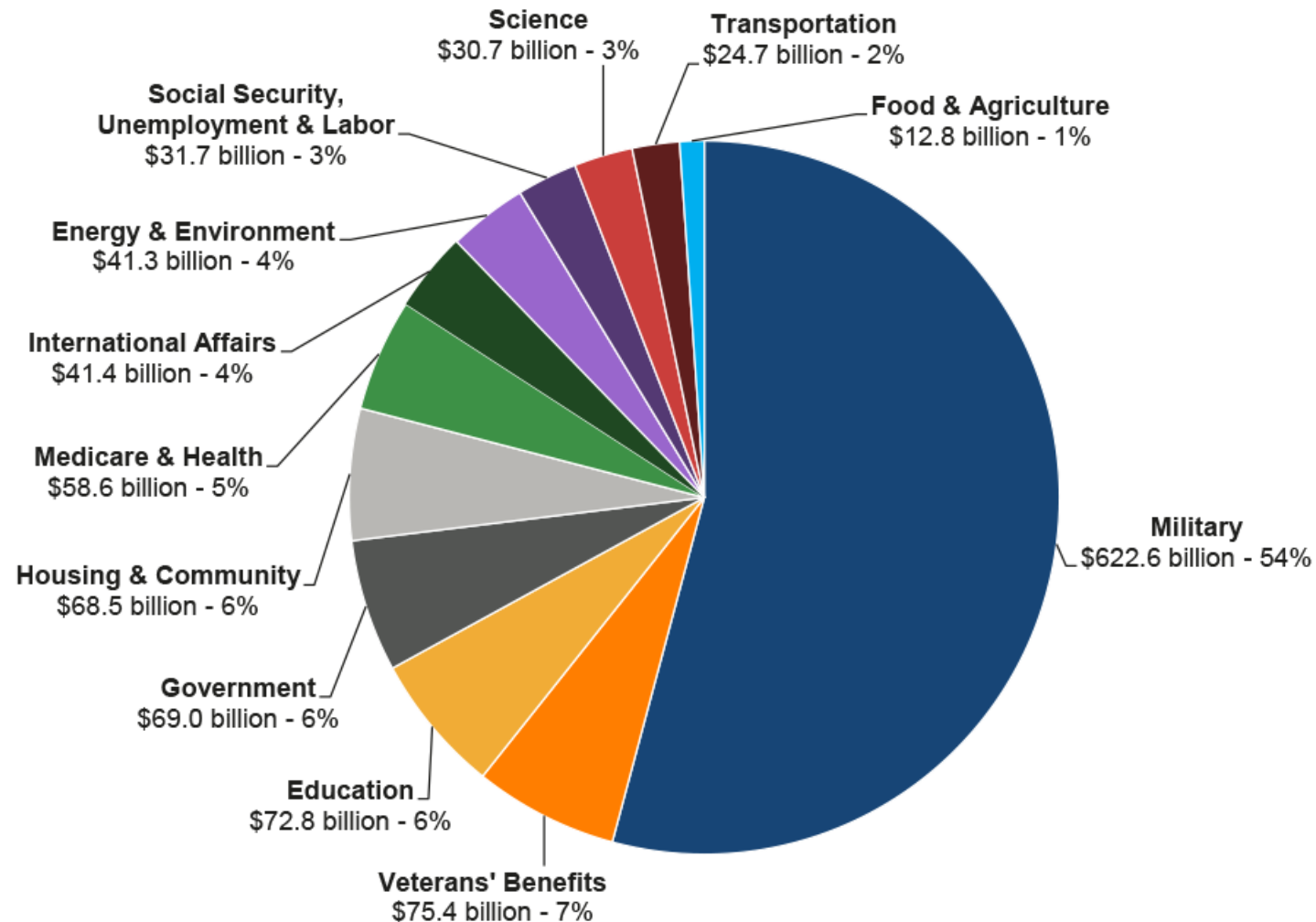
Note: Health care spending includes Medicare net of offsetting receipts, Medicaid, the Children's Health Insurance Program (CHIP), and Affordable Care Act (ACA) exchange subsidies.

Source: Congressional Budget Office; Bipartisan Policy Center projections  
[WWW.BIPARTISANPOLICY.ORG](http://WWW.BIPARTISANPOLICY.ORG)

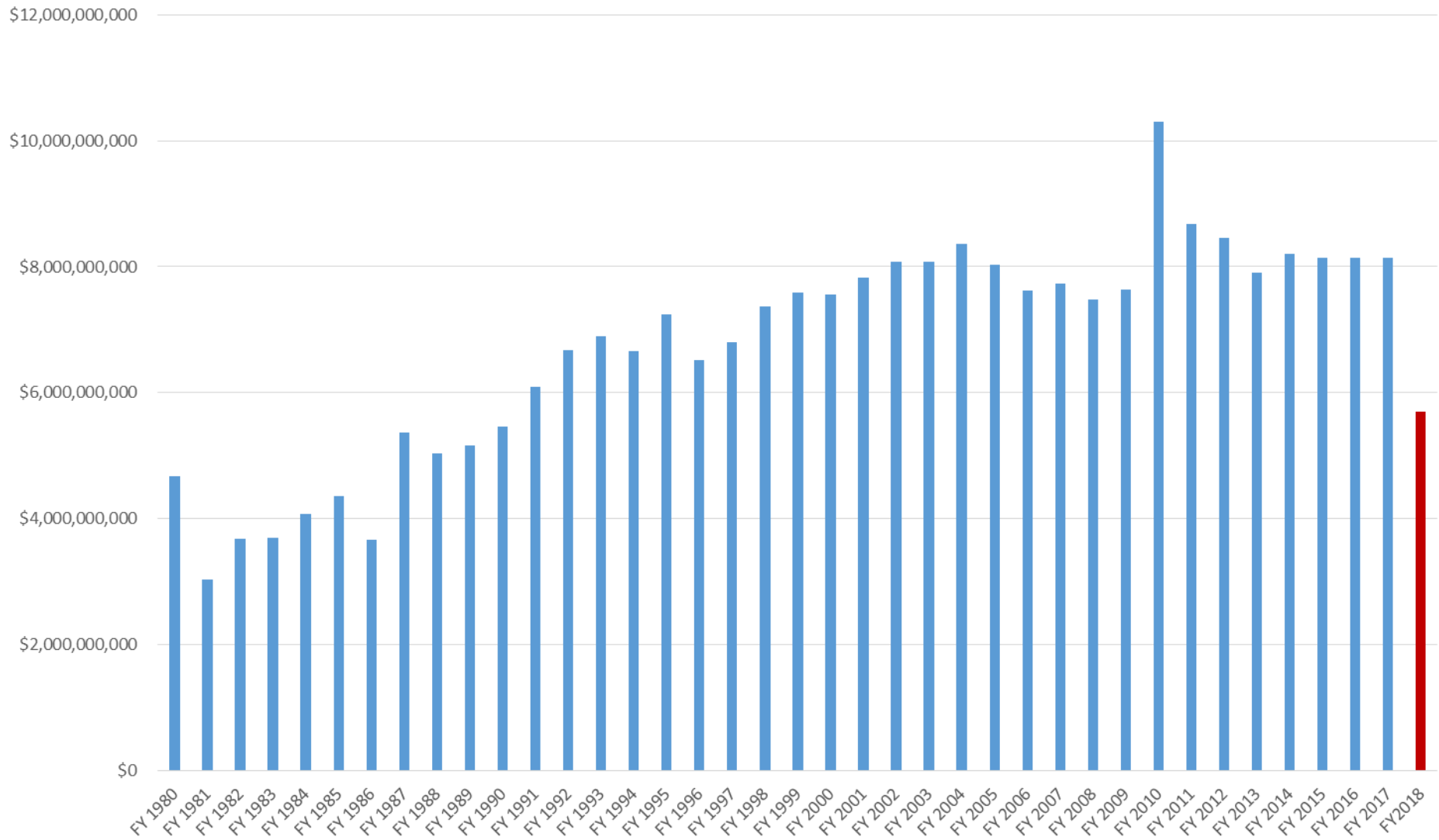
# FY17 Federal Budget \$4.2 Trillion— discretionary spending only 27% of total



# Discretionary spending is mostly military, EPA budget is only 0.6% of total



# Significant cuts to EPA budget proposed





# Federal Budget Summary

- Debt and Entitlements squeezing everything else
- Discretionary spending is mostly military
- EPA budget has been fairly flat, steep cuts proposed not including SRF

# EPA Policy Outlook

## Themes from EPA Administrator Scott Pruitt:

- The Rule of Law Matters – no more overreach of statutory authority
- Process Matters – regulatory process needs to be re-established and not be driven by consent decrees and/or litigation, i.e. no sue then settle
- Cooperative Federalism as a Guiding Principle – deference to States as primary implementers

# State Outlook



# State Budget Crisis 2017

**“Gov. Brown proposes cuts, new taxes to close \$1.7 billion budget shortfall”** Oregonian, Dec 1, 2016

**“Oregon's budget looks bleak”** East Oregonian, Jan 25, 2017

**“State budget town hall draws anger, blame and tearful pleas for funding”** Oregonian, Feb 12, 2017

# State Budget Crisis 2017

“Oregon's budget gap:

State revenue in the coming two-year budget cycle is forecast at \$19.7B, up \$1.3 billion. But expenditures are rising twice as fast.

Here are the primary drivers of the budget shortfall:

**\$1 billion:** Health insurance costs, largely due to reduced federal support for Oregon's Medicaid expansion under the Affordable Care Act

**\$350 million:** Unfunded public pension costs

**\$357 million:** Unfunded ballot measures passed by voters last November”

*Source: Oregonian April 9, 2017*

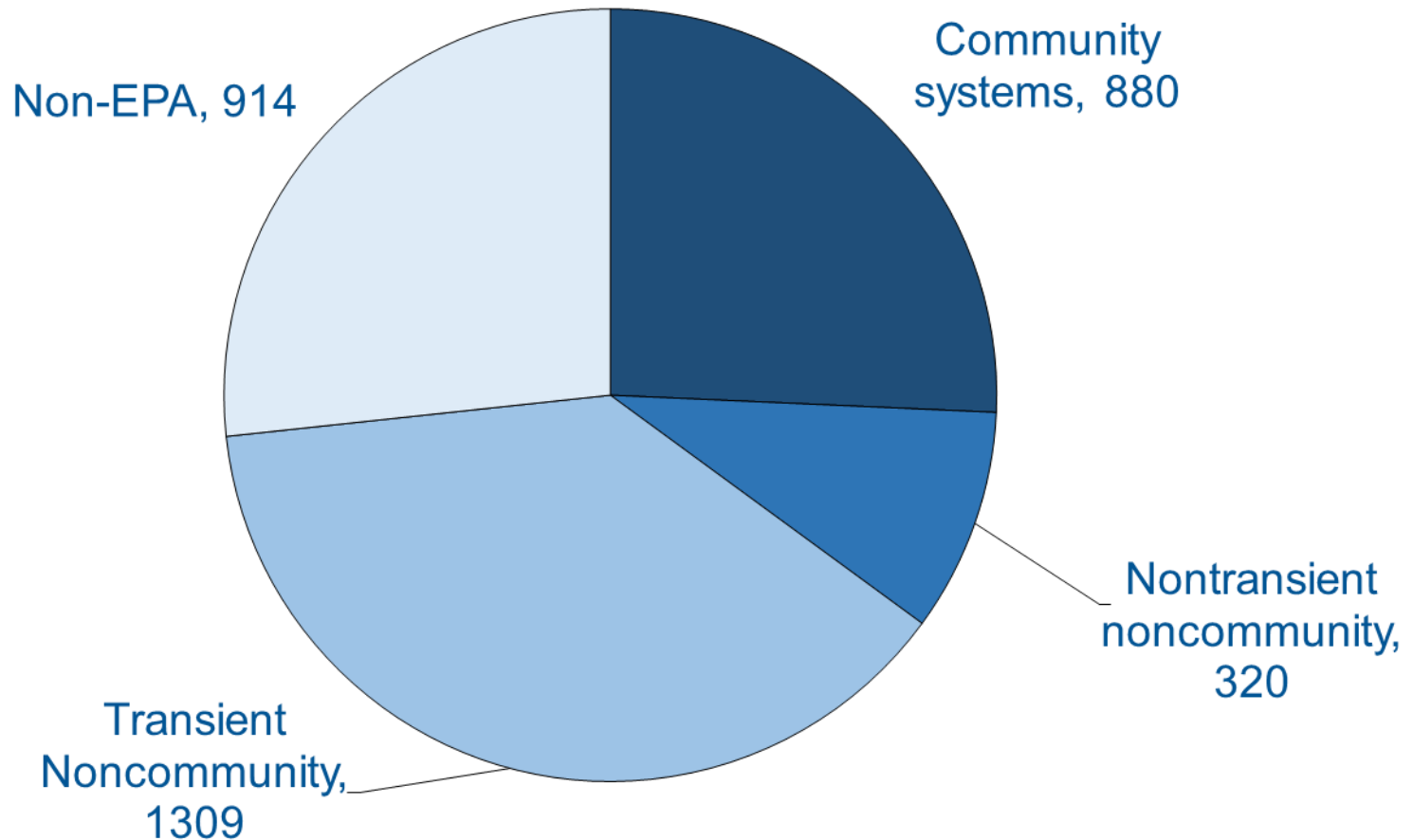
# Oregon's Drinking Water program





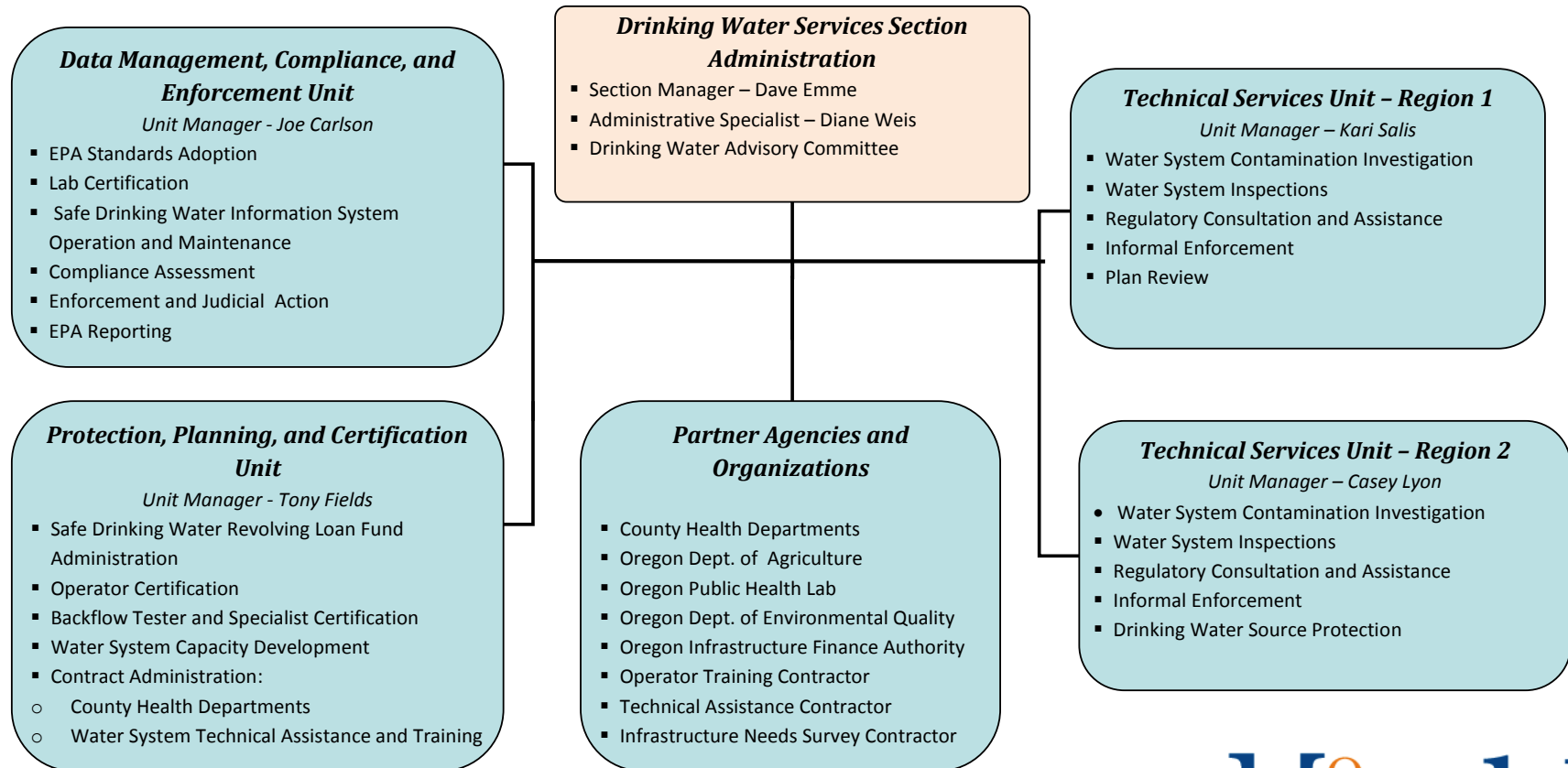
# Oregon water systems by type

**3,423 public water systems**

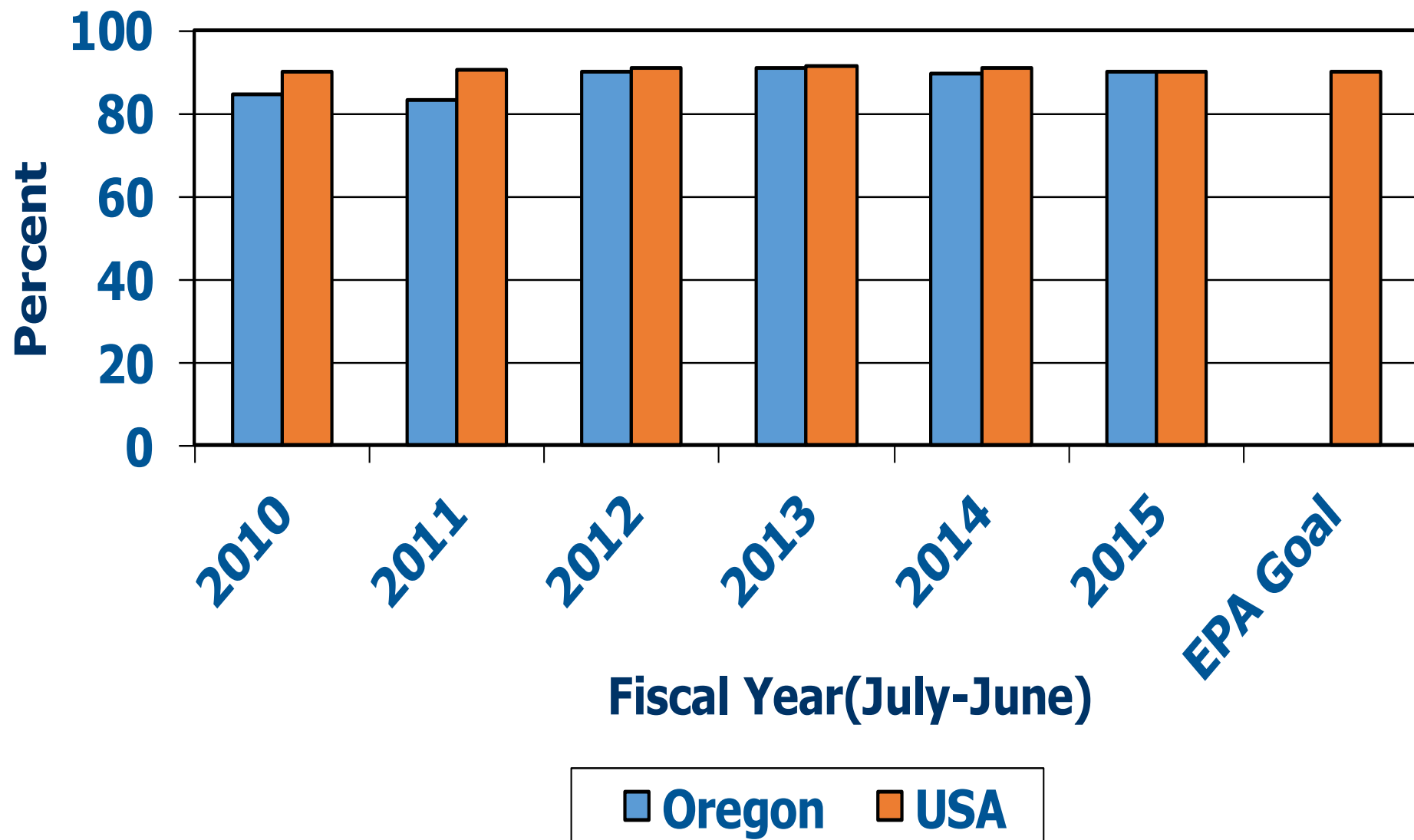


**Drinking Water Services Section  
Center for Health Protection  
Public Health Division**

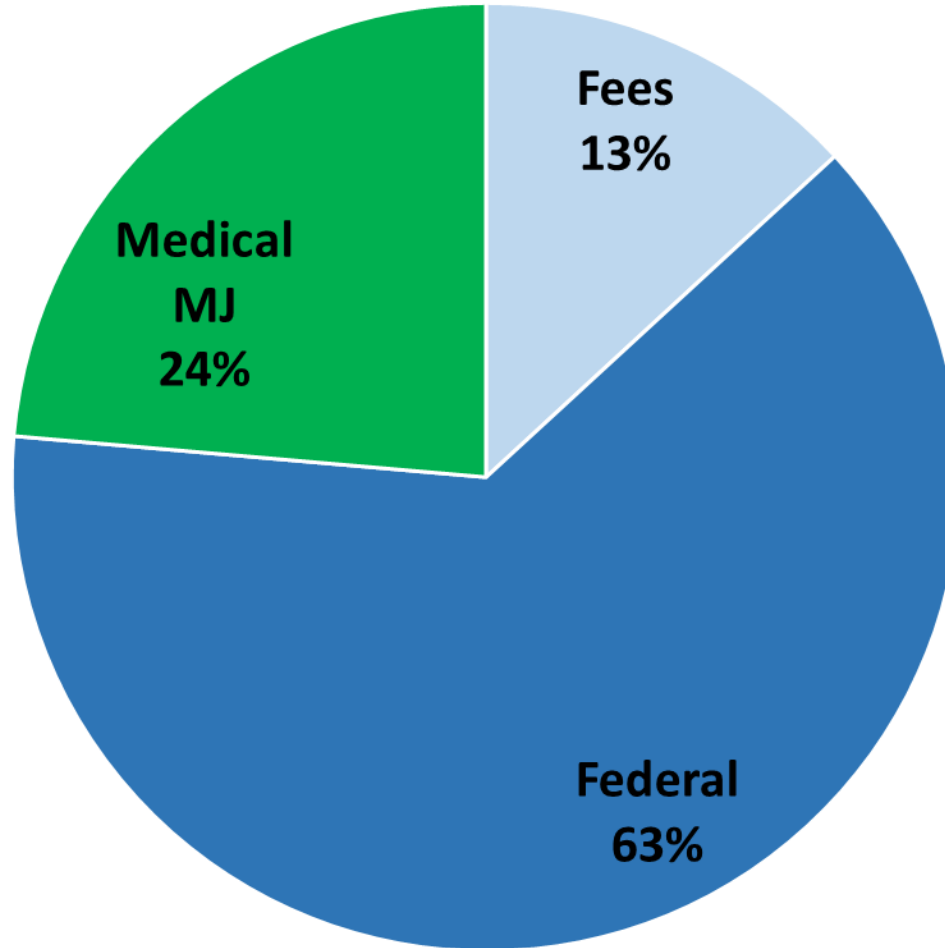
**We strive to assure all Oregonians safe drinking water (ORS 448)**



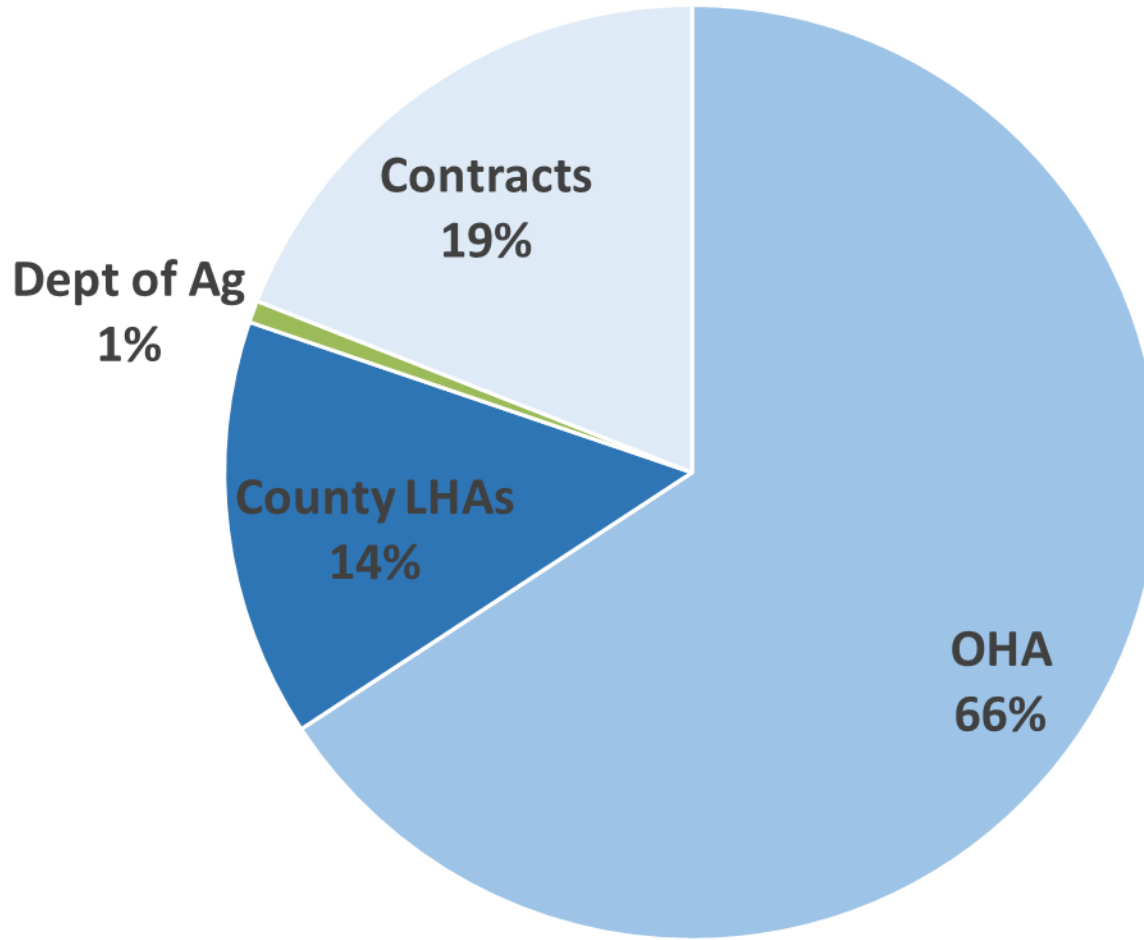
## Percent of OR community systems that meet health-based standards throughout the year



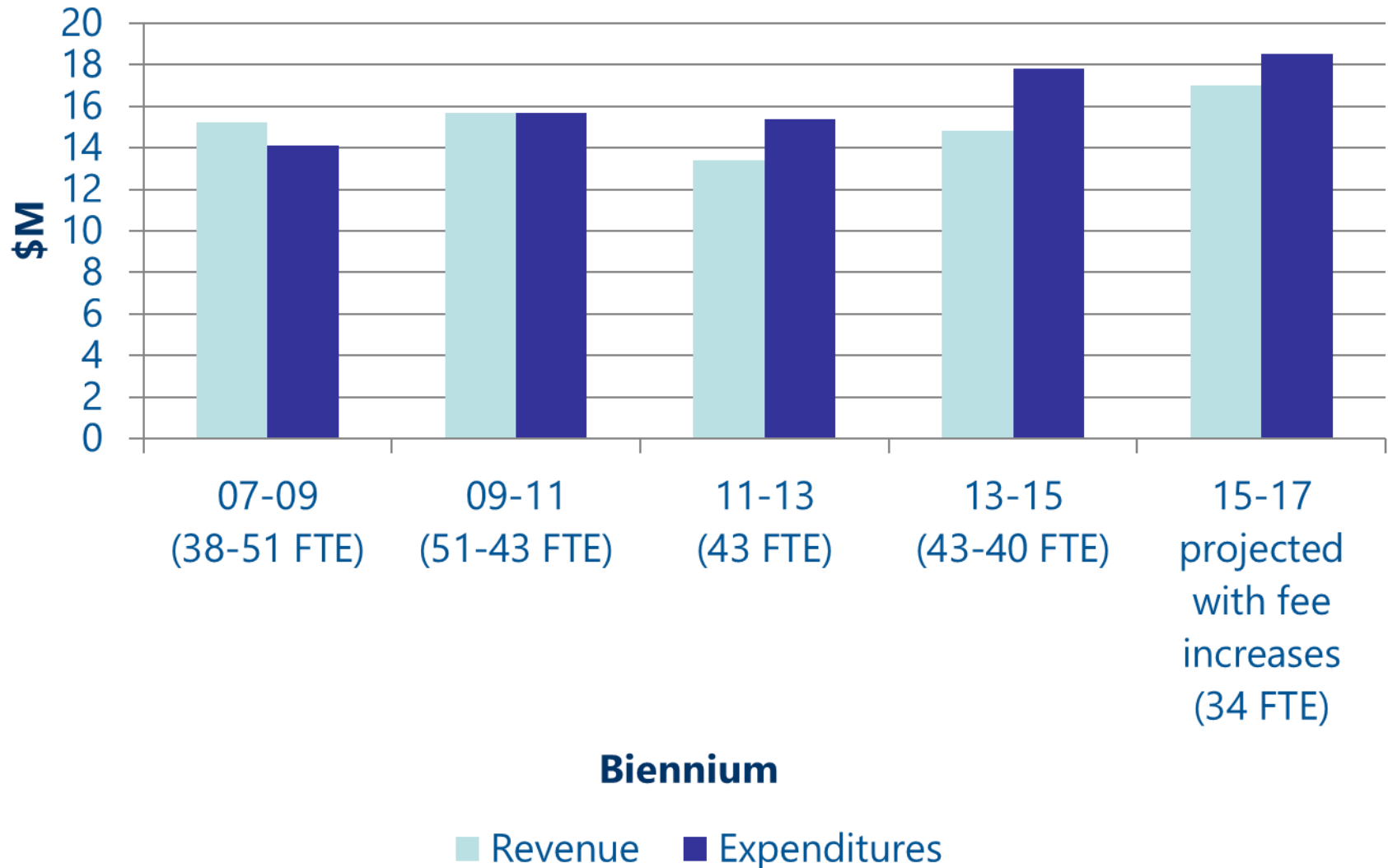
# DWS Revenue Sources FY15-17



# DWS Expenditure Categories FY15-17

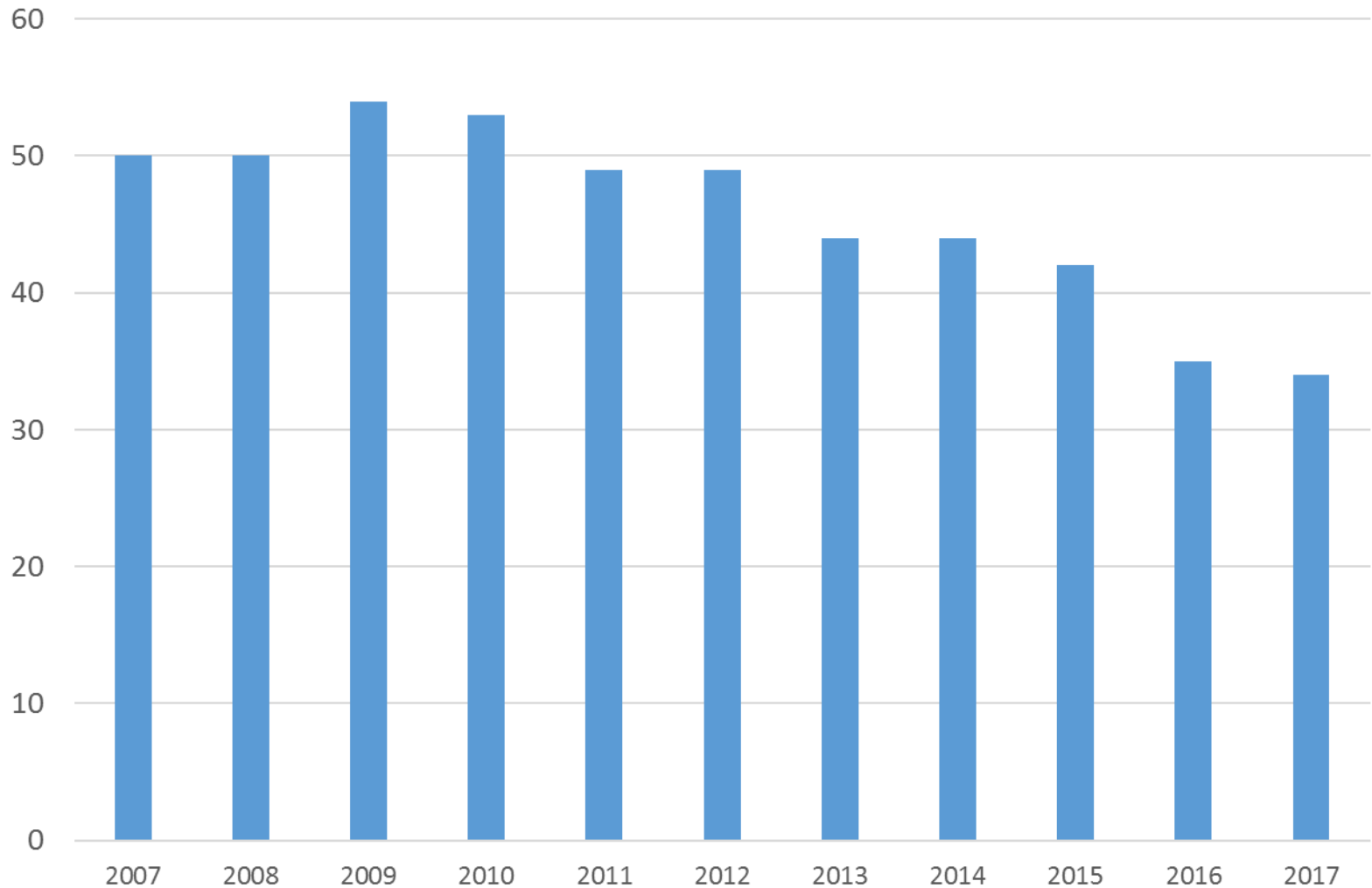


# DWS Revenue and Expenditure Trends





# DWS FTE Trends—35% reduction from 2009



# DWS Budget Pressures...

- Flat federal grants for years, eroded by inflation. Pressure to reduce SRF ULOs.
- Loss of State general fund, limited other State funding.
- User fees limited and not keeping pace with costs.
- Personnel-related costs increasing.

# DWS Budget Strategies to date...

To narrow the budget gap DWS has:

- Substantially reduced staff through attrition
- Raised user fees in 2015
- Made greater use of SRF set-asides to support personnel

County and Ag contracts have been held harmless

# Funding Sources for County and Ag contracts

36% Federal Primacy grant

32% Federal SRF Set-aside

32% Medical Marijuana Program funds

# DWS Budget concerns looking ahead...

Continued upward pressure on labor costs and cost allocations

Likely cuts in Federal primacy grant and flat SRF funding

Declining Medical MJ fee revenue and uncertainty over future DWS allocations

## Some LHA concerns we have heard...

Funding provided by DWS has been flat for many years.

Workload and expectations have increased.

Reporting and process inefficiencies.



# Opportunities and next steps...

EPA deference to State programs may create opportunities to do things differently.

We're working on **process** improvements.

Need to **prioritize**, e.g. we're only responding to "bad water" at non-EPA systems.

Need to **plan** for future program adjustments.

# Opportunities and next steps...

We look forward to hearing concerns and ideas.

Suggest forming a Workgroup to consider:

- Near-term prioritization and process improvements
- Longer-term workload and funding strategies

# Thank You

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**Health**  
Oregon  
Authority