Drinking Water Services
Regulatory and Program Update
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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
FY17 Federal Budget $4.2 Trillion—discretionary spending only 27% of total

- Interest on Debt: $303 billion - 7%
- Discretionary Spending: $1.15 trillion - 27%
- Mandatory Spending: $2.78 trillion - 66%
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
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
"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

- Community systems, 880
- Transient Noncommunity, 1309
- Nontransient Noncommunity, 320
- Non-EPA, 914
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

Fiscal Year (July-June)

Oregon USA
DWS Expenditure Categories FY15-17

- OHA: 66%
- County LHAs: 14%
- Contracts: 19%
- Dept of Ag: 1%
DWS Revenue and Expenditure Trends

Biennium

- **07-09**: (38-51 FTE) Revenue: $14, Expenditures: $12
- **09-11**: (51-43 FTE) Revenue: $16, Expenditures: $13
- **11-13**: (43 FTE) Revenue: $15, Expenditures: $16
- **13-15**: (43-40 FTE) Revenue: $18, Expenditures: $17
- **15-17**: Projected with fee increases (34 FTE) Revenue: $18, Expenditures: $19

Legend:
- Light blue: Revenue
- Dark blue: Expenditures
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