

August 26, 2005

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

**SUBJECT: Agenda Item F: 2005-2007 Capital Fund Spending Plan
September 13-14, 2005 OWEB Board Meeting**

I. Introduction

This report is presented as an information item with options for Board action. The 2005-2007 Legislatively Adopted Budget for OWEB includes \$41.3 million of Measure 66 Lottery Funds (capital funds) to be allocated by the Board for capital grants. The majority of the funds will be allocated through the regular competitive grant process. This staff report identifies three commitments that will reduce the total funds available for the biennium. These commitments also are referenced in the Agenda Item K recommendations on grant funding.

II. Previous Commitments

At the May 2005 meeting, the Board approved the allocation of \$1 million in capital funds for the Conservation Reserve Enhancement Program and \$2.8 million in capital funds for the small grant program for the 2005-2007 biennium. Given this commitment, the remaining unallocated capital funds total \$37.5 million.

III. Ongoing Commitments and Grant Cycles

This \$37.5 million creates the potential for dividing the capital funds among four grant cycles at as much as \$9.375 million each. In the past biennium, the capital grant cycles awarded approximately \$5 million each and had "do fund" recommendations for approximately \$7 million.

However, there are other commitments and/or possible allocations to consider before dividing these funds between grant cycles. The Board has committed \$3 million in capital funds to the Grants Pass Irrigation District as state match for the removal of Savage Rapids Dam (201-444). Of the \$3 million, the Board has to date allocated \$2.25 million towards the removal. The remaining \$750,000 could be allocated at the beginning of the biennium to complete the State match for this project. This action would demonstrate the State's continued commitment to the project and not require further action by the Board, and is recommended as a Board action in Agenda Item K.

Staff previously presented to the Board a new cooperative opportunity to address shared priority restoration opportunities with the Forest Service. This discussion and others may become sufficiently mature to bring them to the Board for special dedication of funds to address either

regional restoration priorities or programmatic improvements. Each allocation to a new partnership arrangement will reduce the amount of funds available through the regular grant cycles.

The Board will eventually want to earmark portions of the available capital funds for use in the regular grant cycles, for special grants, and perhaps also for non-grant allocations to new partnership opportunities. For example, Agenda Item K recommends nominal capital funding targets of \$7.5 million for each of the four regular grant cycles this biennium, totaling \$30 million for all four cycles. Should the Board adopt these targets, subtracting the \$30 million from the \$37.5 million in capital funds presently available would leave \$7.5 million remaining to be allocated to the sorts of uses described above.

IV. Staff Recommendation

No Board action is required at this time. With Board approval and in conjunction with the Board Co-Chairs, staff will evaluate opportunities and develop options for allocation of the capital funds available in this biennium and report these back to the Board.