

March 2, 2006

## **MEMORANDUM**

**TO:** Oregon Watershed Enhancement Board

**FROM:** Tom Byler, Executive Director

**SUBJECT: Agenda Item G: Non-Capital Funds Spending Plan Update  
March 15-16, 2006 OWEB Board Meeting**

### **I. Introduction**

This report provides an update on board discussions regarding the potential use of non-capital funds. During meetings in September 2005 and January 2006, the Board made a series of funding decisions to allocate and reserve non-capital funds for a variety of purposes. This report continues those discussions.

### **II. Background**

#### **A. 2005-2007 Legislatively Adopted Budget**

The 2005-2007 Legislatively Adopted Budget for OWEB includes \$4.35 million [\$1.55 million of Measure 66 Lottery Funds and \$2.8 million of federal Pacific Coastal Salmon Recovery Funds (PCSRF)] available to be allocated by the Board for non-capital grant purposes. Non-capital funds are used to fund an assortment of needs that capital funds cannot support. These include technical assistance, education and outreach, monitoring and assessment, watershed council support, and agency efforts related to the Oregon Plan for Salmon and Watersheds. Non-capital funds may be distributed through the competitive grant process or by direct allocation by the Board.

Measure 66 non-capital funds may be used for a wide variety of purposes that further the goals of improving water quality, recovering fish and wildlife, and enhancing watershed health. The criteria for use of PCSRF funds are focused on recovery planning or for recovery and restoration of salmon or steelhead.

#### **B. The Current Spending Plan**

At the September and January Board meetings, staff proposed a non-capital spending plan that emphasized local capacity support by targeting Board investments to support the actions of local watershed groups -- watershed councils, soil and water conservation districts, and other local partners. The plan included the allocation and reserve of funds to directly supplement the operations budgets for councils and districts, to support significant investments for technical assistance grants, and for local involvement in recovery planning.

Of the \$4.35 million legislatively allocated to OWEB's non-capital program, \$2,684,380 was allocated by the Board to specific purposes at the September and January meetings. This leaves \$1,665,620 in non-capital funds until the 2006 PCSRF funds are available. The Board reserved the remaining funds for specified potential uses. Attachment A sets out the allocations and reserves of these funds to date by program category. An update on the status of those funding needs follows in Section III of this report.

### **C. Status of Federal Fiscal Year 2006 PCSRF Funds**

Staff anticipate OWEB will receive approximately \$4.1 million in 2006 PCSRF funds. This is a significant decrease in funding compared to previous years. OWEB must seek legislative approval to apply for and expend the funds. If all approvals are secured, these funds may become available this summer. Attachment B contains the proposed reservation of PCSRF funds as discussed at the January Board meeting. Staff recommend no changes to the proposed distribution at this time.

## **III. Current Status and Preliminary Recommendations**

The following section provides updates on several non-capital program elements.

### **A. Local Capacity**

At the January 2006 meeting, the Board reserved \$290,620 to further support the capacity needs of local conservation groups that regularly partner with OWEB. During the meeting, the Board was briefed about a potential collaboration between OWEB, the Oregon Department of Agriculture, the Oregon Association of Conservation Districts and the Network of Oregon Watershed Councils. The collaboration is intended to strengthen public understanding of the importance of watershed councils and soil and water conservation districts in enhancing, restoring, and maintaining watershed health in a manner that benefits their local communities and economies. A work group of representatives from the aforementioned entities have met twice since the January meeting to discuss and develop a plan of action for this effort.

*At the time of writing this report, council and district representatives are developing a work plan and budget needed to carry out the collaborative effort. The Board may be presented with a work plan and specific funding request at the March meeting.*

### **B. Oregon Plan Products**

At the January meeting, the Board reserved \$375,000 to support Oregon Department of Fish and Wildlife (ODFW) monitoring of fish and wildlife habitat on the Lower Columbia River. These funds would allow ODFW to continue monitoring activities in this area for the remainder of the biennium.

*Staff continue to recommend funding this monitoring activity as it supports the Oregon Plan for Salmon and Watersheds by increasing our understanding of the status of fish and wildlife in the Lower Columbia River. Staff anticipate requesting action on this item at the May 2006 Board meeting.*

### **C. Education Grants**

The Board has reserved \$500,000 in non-capital funds to support education grant applications that will be considered for funding as part of Agenda Item L. More detail on the education grant offering can be found in that report.

*No action associated with this report is requested of the Board. The Board will be asked to fund education grant applications in Agenda Item L.*

### **D. Monitoring Grants**

The Board reserved \$500,000 in non-capital funds to support monitoring grant applications that will be considered for funding as part of Agenda Item L. More information on the monitoring grant offering is contained in that report.

*No action associated with this report is requested of the Board. The Board will be asked to fund monitoring grant applications in Agenda Item L.*

### **E. Additional Funds**

During previous discussions regarding the non-capital spending plan, Board members expressed concern over the lack of funds to meet all the needs for the different program elements. In response to this concern, staff committed to determine if additional non-capital resources are available. Staff looked at the amount of funding available through the “recapture” of previously granted funds that are unspent. These funds are unspent either because a grant is completed under budget or because the need for the funds changed before the funds were used.

Staff have identified a total of \$758,965 in recaptured non-capital funds. The majority of these are unspent funds that have come back to OWEB from previously awarded grants, some of which date back to 2000-2001. Of the total recaptured funds, \$125,000 remains from a \$150,000 reservation by the Board in September 2003 to assist watershed councils with the audit and bonding requirements of the 2003-2005 council support grant agreements. In September 2004, the Board only allocated a portion of those funds towards watershed council bonding, as staff had determined subsequent to the original reservation that the risk of fiscal mismanagement was low due to the strength of OWEB’s grant administration. Staff expect more recaptured funds to accrue over time as grants are completed.

*Staff recommend the Board reserve \$299,225 of recaptured non-capital funds, including the \$125,000 previously reserved to council audit and bonding, to more fully fund the education and monitoring grant applications recommended in Agenda Item L. The remaining \$459,740 will be available for use in future grant cycles.*

## **IV. Recommendation**

Staff recommend the Board reserve \$299,225 of recaptured non-capital funds, including the \$125,000 previously reserved for council audit and bonding, to more fully fund the education and monitoring grant applications recommended in Agenda Item L.

### Attachments

- A. 2005-2007 Legislatively Adopted Budget Spending Plan
- B. FFY 2006 Pacific Coastal Salmon Recovery Funds Proposed Allocation

**ATTACHMENT A****2005-2007 Legislatively Approved  
Non-Capital Funds Spending Plan**

<b>Program Element</b>	<b>Sept 2005 Allocated</b>	<b>Jan 2006 Allocation</b>	<b>Jan 2006 Reservation</b>	<b>Total</b>
Local Capacity	\$561,000	\$175,000	\$290,620	\$1,026,620
Technical Assistance	\$1,000,000	\$0	\$0	\$1,000,000
Recovery Planning	\$200,000	\$0	\$0	\$200,000
Monitoring Grants	\$0	\$0	\$500,000	\$500,000
Oregon Plan Monitoring	\$0	\$448,380	\$0	\$448,380
Watershed Assessment	\$0	\$0	\$0	\$0
Agency Outreach	\$150,000	\$0	\$0	\$150,000
Ed/Training Opportunities	\$50,000	\$0	\$0	\$50,000
"Knowledge" Grants	\$0	\$0	\$500,000	\$500,000
Sustainability	\$0	\$100,000	\$0	\$100,000
Oregon Plan Products	\$0	\$0	\$375,000	\$375,000
Regional Priorities	\$0	\$0	\$0	\$0
<b>TOTALS</b>	<b>\$1,961,000</b>	<b>\$723,380</b>	<b>\$1,665,620</b>	<b>\$4,350,000</b>

**ATTACHMENT B**

**2006 Pacific Coastal Salmon Recovery Funds  
Proposed Spending Plan**

<b>Program Element</b>	<b>FFY 2006 PCSRF</b>
Technical Assistance	\$1,000,000
Recovery Planning	\$600,000
Monitoring Grants	\$750,000
Oregon Plan Monitoring	\$110,000
Watershed Assessment	\$450,000
Education Grants	\$500,000
Oregon Plan Products	\$690,000
<b>Total</b>	<b>\$4,100,000</b>