

April 28, 2006

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

**SUBJECT: Agenda Item J: 2005-2007 Capital Fund Partnerships
May 16-17, 2006 OWEB Board Meeting**

I. Introduction

This report continues the Board discussion at the September 2005 and January 2006 meetings regarding the uses of Measure 66 Lottery Capital Funds for non competitive capital projects. This report requests a specific allocation for two partnership projects.

II. Background

OWEB's 2005-2007 Legislatively Adopted Budget includes \$41.3 million of Measure 66 Lottery Funds to be allocated by the Board for capital grant purposes. At its May 2005 meeting, the OWEB Board allocated \$1 million of this toward the Conservation Reserve Enhancement Program (CREP) and another \$2.8 million to OWEB's Small Grant Program (\$100,000 per small grant team). At the September 2005 meeting, the Board reserved the majority of capital funds (\$30 million) to be allocated through the four regular competitive grant cycles for restoration and acquisition projects. In addition, an additional \$7.5 million of capital funds was reserved either to be used for large-scale or regional projects coming out of the regular grant process or special allocations. The funds were also discussed as a way to invest in partnerships that do not conveniently fit within the regular OWEB grant process.

Two potential partnership opportunities were presented to the Board in January and March 2006. One opportunity is to partner with the U.S. Forest Service (USFS) to conduct "whole watershed restoration" efforts. At the time of this report, staff continue to refine this proposal in response to Board discussion at the March meeting. OWEB staff also proposed funding a partnership with the U.S. Department of Agriculture (USDA) Natural Resources Conservation Service (NRCS) and the Institute of Applied Ecology to improve wetland restoration sites in the Willamette Valley. Both opportunities involve an investment of OWEB capital funds that would be matched with other funds to complete restoration efforts at a more comprehensive watershed scale.

At this time, an additional \$2 million of capital funds has been recaptured from previously awarded and completed projects that did not use the entire grant. These funds are available for the Board to reallocate to new projects.

III. Proposed Non Competitive Grants

A. Willamette Wetland Reserve Enhancement Program (WREP)

The Governor's Office has identified a Willamette WREP as a specific element in the Governor's Willamette River Legacy Program. The Willamette WREP proposed for funding by OWEB will help fulfill that expectation. This project is a significant effort by NRCS and partners to address the integration of native plant species into wetland restoration efforts. The project would grow native (many federally listed) plant species and establish them into sites where there is a permanent or very long term (30 years) conservation easement. The OWEB funds would provide staff support for the labor involved in growing seeds, site preparation, monitoring, and maintenance of the plantings. The project is designed to lead to improved Wetland Reserve Program (WRP) projects in the future and provide native plant material for use in future WRP projects.

NRCS has selected the Institute for Applied Ecology to develop a WREP for the Willamette Valley. (Attachment A) Under this proposal, OWEB funding would match NRCS funding to enhance plant species diversity and habitat values for wetland-dependent species on 12 Willamette Valley WRP projects by adding native species in appropriate areas. The project would enhance 595 acres enrolled in WRP in Yamhill, Polk, Benton, and Lane counties and contribute to listed plant species recovery. OWEB funds would be used specifically to implement native plant establishment on these 12 WRP sites.

NRCS has committed funds for the Willamette WREP. The project proposes using \$250,000 of OWEB capital funds to match federal funds of \$412,000 and another match of \$130,000. OWEB funds used for the WREP will be required to meet Measure 66 capital funds requirements. The NRCS has identified the work as "critical to restoration work on projects within our Wetlands Reserve Program." (Attachment B)

At the March Board meeting, Board members asked about the costs of the projects and the transferability of the outcomes. The proposal involves 12 sites totaling approximately 1,750 acres with 595 acres of wetlands. The project, as proposed, would cost \$420/acre on top of the WRP costs of approximately \$575/acre. Previously funded projects by the Board range from \$750/acre to more than \$20,000/acre. Thus the costs of the project, including previous costs for restoration, are within the range of previously awarded restoration projects. A central purpose of the grant proposal and the desire of the NRCS is to make techniques and plant materials available for future WRP enrollments.

Staff have also requested additional review of the proposal. The U.S. Fish and Wildlife Service responded in writing identifying its importance and resource benefits, and urges OWEB to consider funding the project.

B. Conservation Reserve Enhancement Program (CREP)

Staff are requesting \$1.5 million in additional capital funds to support the Oregon CREP program. These funds should be sufficient for the CREP program through the remainder of the 2005-2007 biennium. To date, OWEB has leveraged more than \$4 million of federal funds to restore riparian vegetation along streams in agricultural lands in the state. This program has been more successful than expected and the rate of growth in the CREP program is significantly greater than expected last year. Staff are currently holding payments

since the last allocation of \$1 million provided in May 2005 has already been paid to grantees. Grantee payment requests are accumulating for projects implemented earlier this spring.

Oregon signed an agreement with the U.S. Department of Agriculture in 1998 to cooperate in a cost share program to establish riparian buffers along streams in agricultural lands. The program has been growing each year since 1998. Since the 1999-2001 biennium, OWEB has allocated \$2,900,000 in capital funds to this cost share program. Oregon’s payments (Figure 1) and enrollments (Figure 2) continue to increase. Staff have processed nearly \$1 million in payments since August of 2005 (approved at the May 2005 Board Meeting). Increasing enrollment will require increased capital payments.

Figure 1: OWEB Payments to CREP Enrollments

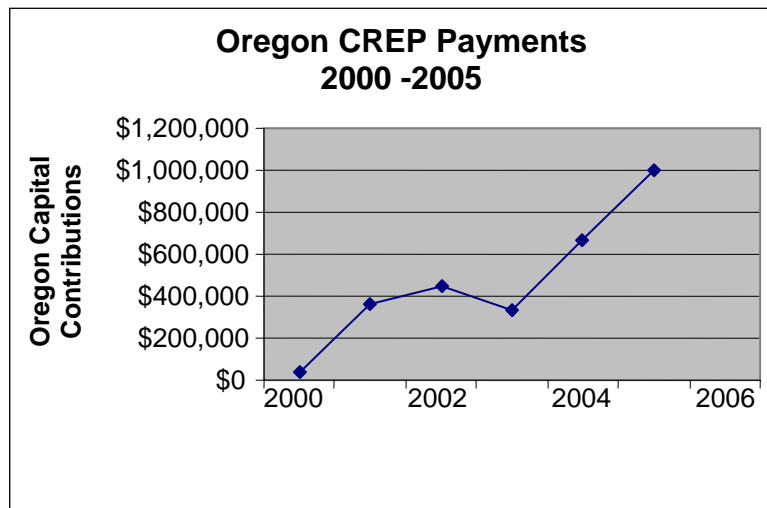
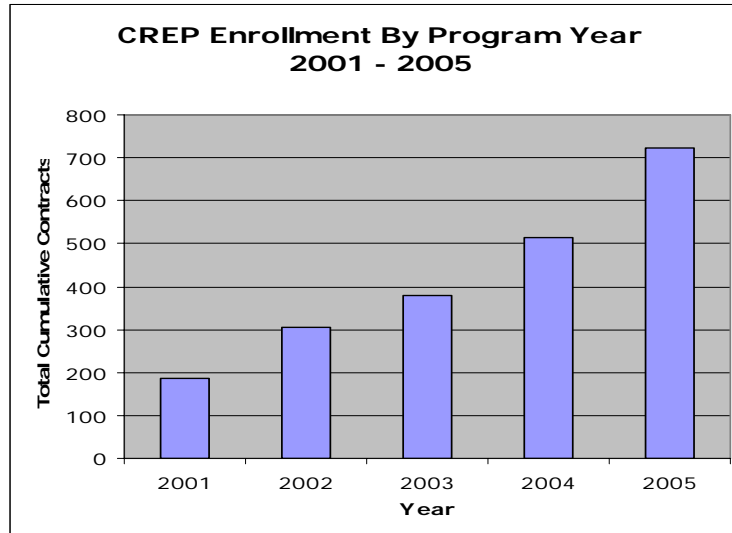


Figure 2: CREP Enrollment in Oregon



The CREP program is a particularly important program to address water quality and future fish habitat in agricultural lands. Oregon’s track record, with the creation of a program tailored to the state’s agricultural producer’s needs yet focusing the incentives in a way that

makes biological sense, has been recognized by the USDA and is the subject of academic economic evaluation. The value of continuing this program to provide a broad portfolio of restoration offerings to landowners is important statewide.

IV. Recommendation

Staff recommend the Board approve the following allocations:

1. \$250,000 of capital funds as a grant to the Institute for Applied Ecology to match federal funds for the Willamette Wetlands Reserve Enhancement Program; and
2. \$1.5 million of capital funds for the CREP program to pay for State committed cost share on riparian restoration enrollments.

Attachments

- A. NRCS WREP proposal
- B. NRCS and USFWS Letters of Support