

December 26, 2006

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

**SUBJECT: Agenda Item E: Status Review and Funding Implications of the Oregon Conservation Reserve Enhancement Program (CREP)
January 24-25, 2007 OWEB Board Meeting**

I. Introduction

This report discusses the status of the Oregon Conservation Reserve Enhancement Program (CREP) and identifies issues that will be brought to the Board in the coming year. The report also requests an additional \$1 million of capital funds for the remainder of the biennium.

II. Background

In 1997, then Governor Kitzhaber's office initiated discussions with the U.S. Department of Agriculture (USDA) about the possibility of developing a state-federal cost share program that focused on improving riparian conditions in agricultural areas of the state. Through significant discussion and negotiation, Oregon developed a program proposal that would offer the following benefits:

1. Assist private landowners in the restoration of forested buffers along streams that support listed fish species;
2. Provide an incentive for relatively large, continuous reaches of stream to be enrolled in the program;
3. Provide an increased incentive for leasing water in-stream from irrigated lands enrolled in the program; and
4. Paying an annual conservation rental for the riparian buffer for 10-15 years.

The program was approved in September 1998 with a signing ceremony by the Governor, and was signed by the Secretary of Agriculture in October 1998.

The program was met with high expectations and strongly supported by the federal regulatory agencies (National Marine Fisheries Service, Environmental Protection Agency, and U.S. Fish and Wildlife Service) as an important tool for addressing habitat needs for listed salmon species. As early as 2001, some groups expressed concern that the program was not sufficiently popular to address all the riparian restoration needs in Oregon. As a result of the concerns, and in response to critical review, OWEB funded an evaluation of the program. The Oregon Department of Agriculture (ODA) and Oregon Association of Conservation Districts (OACD) conducted an analysis in 2002 and reported on the factors that limit participation in the CREP program.

The OWEB Board responded by providing funding for technical assistance (the primary factor limiting participation). OWEB also funded ODA to provide state coordination of the program. ODA led the negotiations with USDA to revise the Memorandum of Understanding to address a number of the other limitations to participation. In 2004, a revised agreement with USDA was signed.

Since that time, public interest in the program has increased significantly. The number of participants and the number of stream miles treated has grown dramatically. Since 1999, nearly 2,000 miles of riparian buffers have been installed covering nearly 24,000 acres.

In late November 2006, OWEB sponsored a joint training session for federal, state and local agency program participants. The training was an effort to coordinate and more uniformly conduct the necessary activities to make the program successful. Nearly 150 agency staff participated in the program.

III. Current Status and Program Direction

The 2005-2007 biennium has seen unexpected growth in the CREP program. To date, the federal government has committed approximately \$15 million statewide for conservation rental payments on existing CREP contracts. Oregon has provided a 20 percent match totaling \$8 million. This year, the USDA has paid approximately \$4 million for conservation practices (fencing, site preparation, riparian planting, etc.). OWEB has matched the federal conservation payments with \$2.5 million of direct conservation payments and \$500,000 in technical assistance.

The growing success of the CREP program raises several questions that will require discussion by the Board. The following issues will be brought to a future OWEB Board meeting:

- Strengthening the preference for CREP for all riparian restoration projects;
- Focusing technical assistance to aid in salmon recovery;
- Developing a cost forecasting tool for the state cost share;
- Conducting effectiveness monitoring for the program; and
- Increasing public awareness of the program.

IV. Program Issues

Because of the nature of the CREP program, it is difficult to project the needed funding for the state cost share. In past biennia, OWEB staff have estimated the magnitude of cost share by simple projections. This biennium has proven that staff need more effective tools for estimating cost share funds.

Expanding landowner interest in CREP, sign-ups have accessed significant federal funds and increased the demand on OWEB cost share funds. Given the growth of this program, it is important to explore strategic and effective policy options for funding riparian restoration through the OWEB small grant and regular grant programs and CREP. For example, a policy approach that reduces eligibility for funding riparian restoration outside the CREP program has significant implications that will need to be explored prior to adoption of any policy.

The agreement between Oregon and the USDA includes a requirement that the program is monitored for effectiveness. There is now sufficient experience with the program and a large enough range of projects to test a number of hypotheses concerning the effectiveness of the practices as well as the outcomes from the suite of incentives offered through CREP.

The relationship between investment in technical assistance and program enrollment clearly demonstrates the ability to target program implementation. Both continued technical assistance funding and targeted assistance to areas where riparian restoration is a priority could be considered if additional technical assistance is funded for CREP. The Northwest Power and Conservation Council has reduced funding for CREP technical assistance in the Columbia Basin, which exacerbates the problems of effective program delivery.

As the 2007-2009 OWEB budget situation becomes clearer, staff will return with policy and funding proposals to address the needs of the CREP program for the coming biennium.

V. Current Program Needs

This biennium, the Board has allocated \$2.5 million for CREP cost share payments. As of December 5, 2006, payments of \$2,234,174.18 have been made. Examining the recent payment rate and the history of payment requests, staff estimate an additional \$1 million will be required for payments on existing contracts through the end of the biennium.

VI. Recommendation

Staff recommend the Board allocate \$1 million of capital funds for CREP cost share payments through the end of the biennium.

Additionally, staff recommend the Board require a full discussion of the CREP program by the September 2007 Board meeting.