

August 31, 2007

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

**SUBJECT: Agenda Item D: 2007-2009 Biennium Spending Plan
September 18-19, 2007 OWEB Board Meeting**

I. Introduction

In this report, staff propose a spending plan for \$59.5 million in capital funds, \$6.4 million in non-capital funds, and \$7.7 million in non-capital and capital Restoration and Protection Research Funds appropriated to the Oregon Watershed Enhancement Board by the Legislature for the 2007-2009 biennium. This report and its attachments offer a strategy to guide the distribution of capital and non-capital funds by describing the potential uses of the funds, recommending fund allocations for specific identified needs, and suggesting reservations of funds for certain purposes.

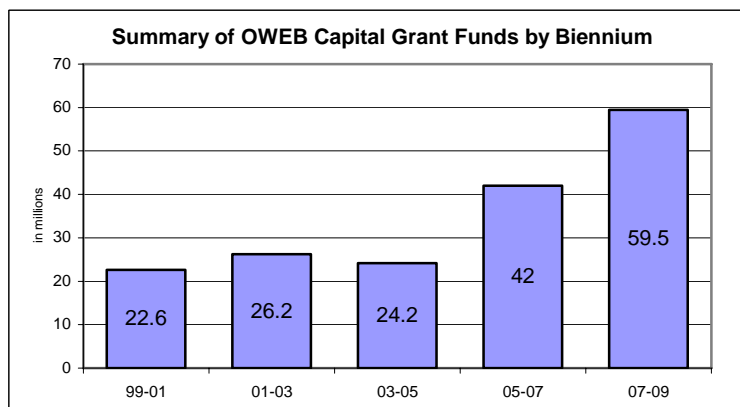
II. Background

Measure 66 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 Pacific Coastal Salmon Recovery Funds (PCSRF) are for recovery planning or for recovery and restoration of salmon or steelhead. Measure 66 and PCSRF funds may be distributed through the competitive grant process or by direct allocation by the Board.

A. Capital Funds

The 2007-2009 Legislatively Adopted Budget for OWEB includes \$59.5 million of Measure 66 Lottery Funds available to be allocated by the Board for capital grant purposes. Capital funds are used to fund on-the-ground restoration and protection projects. Table 1 shows the considerable growth of capital funds since 1999.

Table 1



B. Non-Capital Funds

The 2007-2009 Legislatively Adopted Budget for OWEB includes \$5.4 million of non-capital Measure 66 Lottery Funds. An additional \$1 million of federal Pacific Coastal Salmon Recovery Funds (PCSRF) is 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.

The \$6.4 million in available non-capital funds does not include potential additional funds from PCSRF for Federal Fiscal Year 2008. In previous biennia, even-year PCSRF funds became available to support the non-capital grant program during the second half of the biennium. Table 2 compares this biennium’s non-capital funds with previous biennia.

Table 2. Non-Capital Funds

Biennia	Initial Funds	Mid-Biennium Funds
1999-2001	\$3.7 million	\$9.0 million
2001-2003	\$8.9 million	\$11.1 million
2003-2005	\$0	\$8.3 million
2005-2007	\$4.35 million	\$4.1 million
2007-2009*	\$6.4 million	Unknown

* Does not include FFY 2008 PCSRF Funds

C. Research Funds

For the first time, the 2007-2009 Legislatively Adopted Budget for OWEB includes \$4.93 million of capital and \$2.75 million of non-capital research funds available to be allocated by the Board at its discretion. The funds from the Restoration and Protection Research Fund are based on the interest earned on the Measure 66 Lottery Funds and can be used for the “purpose of funding research and other activities related to the restoration and protection of native salmonid populations, fish and wildlife habitats and water quality, including but not limited to research, monitoring, evaluation and assessment related to the Oregon Plan.” (ORS 541.378(1))

III. Proposed Capital Fund Spending Plan

The \$59.5 million in Measure 66 capital funds is an increase of \$17.5 million over the previous biennium. This increase provides the opportunity for OWEB to explore new investments, like the Special Investment Partnerships, while continuing to fund traditional capital investment program areas at a high level.

A. Previous Commitments

During the 2005-2007 biennium, OWEB awarded grants for four projects that were only partially funded, with the understanding and commitment to fully fund the projects with funds from the 2007-2009 biennium. The cumulative effect of the deferred funding recommendations from last biennium is \$2,750,750. A more detailed discussion on these funding commitments is included in Agenda Item F.

B. Small Grant Program

In May, the Board awarded \$2.8 million to support the Small Grant Program for this biennium. As per the Board direction at the July Planning Session, staff will review the

program and provide recommendations at an upcoming Board meeting on whether adjustments to the program are needed.

C. Conservation Reserve Enhancement Program

Staff propose the Board allocate \$4 million in capital funds to support the Conservation Reserve Enhancement Program for the 2007-2009 biennium. Agenda Item N contains a detailed discussion on this program area.

D. Special Investment Partnerships

Staff recommend the Board reserve \$12 million in Measure 66 capital funds to support Special Investment Partnerships. This proposal represents a new investment opportunity for the Board made possible in large part due to the increase in funding. Discussion regarding the requested action on this reserve is included in Agenda Item J.

E. Oregon 150 Grants

In 2009, Oregon will celebrate its 150th anniversary of statehood. Governor Kulongoski has organized a sesquicentennial planning group, referred to as Oregon 150, to organize a celebration to mark the event. As part of the planning, state agencies with grant programs have been encouraged to focus their grants in a manner that underscores and celebrates Oregon.

Toward that end, OWEB staff propose to allocate \$1 million in capital funds to support a collaboration with the Oregon Department of Fish and Wildlife (ODFW) that would fund a series of projects dedicated to the protection and enhancement of several of Oregon's state species, the Western Meadowlark, Chinook Salmon, American Beaver, and Swallowtail Butterfly. Under this joint effort, ODFW would solicit, review, and select projects for these species consistent with the Oregon Conservation Strategy. ODFW will consult with OWEB on the proposed projects. OWEB will administer the grant funds. The goal is to have projects solicited, reviewed, funded, and to the degree possible, implemented by the time of the 2009 celebration.

This endeavor has the potential to get significant public attention due to its association with the sesquicentennial celebration. This effort also represents the strong partnership opportunities associated with implementing the Oregon Plan for Salmon and Watersheds and the Oregon Conservation Strategy.

F. Regular Restoration and Acquisition Grants

Staff recommend the Board reserve a total of approximately \$37 million for restoration and acquisition grants this biennium. This reserve allows nearly \$9.25 million in capital funds to be available for each of the four restoration and acquisition grant cycles over the biennium. The \$9.25 million represents a \$1.75 million increase over the reserve from last biennium and offers a continued strong investment in this important program area.

A summary of the proposed capital fund spending plan is contained in Attachment A.

IV. Proposed Non-Capital Fund Spending Plan

The \$6.4 million of non-capital grant funds for this biennium is a welcome increase over previous biennia. Staff recommend adding \$1.5 million in non-capital research funds to this

total. Research non-capital funds can be used to support monitoring and technical assistance needs. The combination of regular non-capital funds and research non-capital funds provides a total of \$7.9 million in non-capital funds to start the biennium.

While this funding will not meet all non-capital program needs, it does offer opportunities for increased investment in priority programs. As with last biennium, investment in the capacity of local groups, watershed councils, and soil and water conservation districts, continues to be a high priority. The Legislature's increase in council and district base support funding will help these groups considerably. The proposed spending plan below is designed to augment the legislative appropriation by focusing on local capacity and other key non-capital program areas. The proposal is also devised with the expectation that additional federal funds will become available to support continued non-capital grant investments in the second half of the biennium.

A. Local Capacity Funding

Staff propose an immediate allocation of funds to augment the watershed council support grant funding decision made at the May 2007 Board meeting, and an additional allocation to support local soil and water conservation district capacity. This funding proposal will provide a total of \$6 million each for the support of councils and districts for the biennium. This item also includes support for the Network of Oregon Watershed Councils and the Oregon Association of Conservation Districts to help OWEB's local partners improve local capacity and effectiveness. More detail on this proposal and requested action are described in Agenda Item H.

B. Technical Assistance

Technical assistance plays a key role in developing restoration grant proposals for capital funded projects. Non-capital funds to support technical assistance increase the capacity of OWEB's local partners to engage in project development, planning, design, coordination and permitting. Staff recommend the Board award approximately \$1 million for technical assistance grants as part of Agenda Item F. Staff also recommend the Board reserve \$500,000 in non-capital funds for a technical assistance grant offering for the October 2007-March 2008 grant cycle. Funding for technical assistance beyond the upcoming grant cycle will depend on the availability of additional federal funds.

C. Recovery Planning

Completing plans for salmon recovery for species listed under the federal Endangered Species Act is a high priority for the Governor's Office, Legislature, and the National Marine Fisheries Service. Last biennium, OWEB funded \$1.55 million to assist in the development of recovery plans and the Legislature allocated \$750,000 of Measure 66 funds to the Oregon Department of Fish and Wildlife for recovery planning purposes.

This biennium, staff propose the Board allocate \$1.5 million for recovery planning work. These funds will provide the resources to complete ongoing planning work by the end of 2008. The funding will support technical staff work, facilitation, contracting, research peer review, and local outreach and community involvement. The funds will also contribute to an OWEB recovery plan implementation strategy for coastal coho by supporting intensive local community outreach to encourage landowners located in high priority recovery areas to participate in restoration work.

D. Monitoring

Staff recommend the Board reserve \$1.5 million to support a monitoring grant cycle offering for the October 2007-March 2008 period. Future monitoring grant offerings or potential non-grant awards for this biennium will depend on the availability of additional federal funds.

E. Education/Outreach

The investment in Education and Outreach is guided by the Board Education and Outreach Strategy adopted in May of 2005 that focuses on awareness, knowledge, and skill development. The spending plan proposes to reserve \$500,000 for an education and outreach offering for the October 2007-March 2008 grant cycle. At an upcoming meeting, staff will present recommendations on options for effective implementation of the strategy. This may influence future grant offerings. OWEB's ability to make Education and Outreach offerings later in the biennium will depend on the availability of additional federal funds.

F. Assessment

Watershed assessments have been completed in most parts of the state. There are still a few remaining areas where assessments are needed, and other areas where updates may be desirable. Staff do not propose an assessment grant offering in October of 2007. Staff also do not recommend reserving funding for assessments with the existing funds. Future assessment grant offerings or potential non-grant awards for this biennium will depend on the availability of additional federal funds.

G. Oregon Plan Products

Through its funding resources, OWEB supports projects and products from state agencies and other partners that help implement the Oregon Plan for Salmon and Watersheds. These actions often do not fit well within OWEB's grant cycle process. Examples of potential projects that may be presented to the Board this biennium include funding for: stream gauges and measuring devices; digitization of wetland maps; continued development of the Oregon Explorer; and probabilistic water quality monitoring.

At this time, it is not clear what project proposals may be brought forward to the Board or when that would occur. It is also possible that some projects could be supported with capital and/or non-capital research funds. Given this situation, staff do not propose reserving funds in this program area at this time. Potential items may be brought before the Board at future meetings if sufficient funding is available.

H. Regional Restoration Priorities

The continuation and completion of the effort to develop regional restoration priorities (at the reporting basin scale) will help to guide future restoration funding decisions and be useful in the review of projects. The ultimate goal is to establish investment priorities for each of the 15 Oregon Plan reporting basins in the state using information from Columbia subbasin planning, species recovery planning by federal and state agencies, action plans developed by local watershed groups, and prioritization principles developed for the Board.

Significant progress was made on this effort last biennium. Staff recommend the Board allocate \$100,000 to complete regional priorities in the Klamath and Lakes basins.

I. Miscellaneous

Staff propose the Board provide funding from the 2007-2009 OWEB budget for the following purposes:

1. Biennial Conference--\$50,000. This funding allocation will support efforts needed to carry out the next OWEB biennial conference in the fall of 2008. Examples of costs include personnel, contracted services, printing and mailing.
2. Staff support and contracting for development and implementation of Special Investment Partnerships--\$200,000. Only \$50,000 of that total will come out of the 2007-2009 budget, the remainder will utilize recaptured non-capital funds. Staff will ask the Board to allocate funding for this purpose as part of Agenda Item J.
3. Agency Outreach--\$50,000. This funding allocation will support OWEB's non-grant efforts to promote participation in the Oregon Plan for Salmon and Watersheds and other outreach related activities.
4. Training Opportunities--\$25,000. Last biennium, the Board allocated funds to support local council and district training and for scholarships to attend training sessions and workshops. Staff propose the Board allocate funds to continue offering these opportunities to our local partners.

Attachment B provides a summary of the non-capital spending plan proposal.

V. Proposed Restoration and Protection Research Fund Spending Plan

The Research Fund is projected to achieve approximately \$7.7 million in revenue by the end of the 2007-2009 biennium. The composition of those funds is anticipated to be \$4.93 million in capital and \$2.75 million of non-capital. These investments will depend on the availability of research funds, which are based on interest accrued from the regular Measure 66 funds over the course of the biennium.

A. Research Grants

As set out in Agenda Item K, staff recommend the Board allocate \$2,964,616 in research capital funds and \$129,154 in research non-capital funds to support research awards that were solicited during the past year. Additional research investments are anticipated during the biennium.

B. Non-Capital Investments

As referenced in section IV of this report, staff propose reserving \$1.5 million of non-capital research funds to support monitoring and technical assistance grant awards in the October 2007-March 2008 grant cycle offering. Staff recommend the Board allocate \$308,410 of capital research funds to Oregon State University for effectiveness monitoring of the Brownsville and Sodom dam removals. More detail on this proposal is described in Agenda Item L.

A summary of the proposed Restoration and Protection Research Fund spending plan is contained in Attachment C.

VI. Recommendation

Staff recommend:

- A. The Board approve the proposed spending plans in Attachments A, B, and C as a guide to reserve OWEB funds for the first year of the biennium with specific direction to staff to report on the actions taken under the spending plan at each subsequent Board meeting; and
- B. The Board approve the following specific funding proposals:
 - a. Allocate \$1 million of capital funds to the Oregon 150 Grant effort identified, and delegate to the Executive Director the authority to distribute the funds through appropriate grant agreements consistent with the purposes outlined in section III.E. of this report.
 - b. Allocate \$1.5 million of non-capital funds to support the development and and implementation of recovery plans, and delegate to the Executive Director the authority to distribute the funds through appropriate grant agreements, contracts and interagency agreements consistent with the purposes identified in section IV.C. of this report.
 - c. Allocate \$100,000 of non-capital funds to support the completion of regional restoration priorities, and delegate to the Executive Director the authority to distribute the funds through appropriate personal service contracts or interagency agreements consistent with the purposes described in section IV.H. of this report.
 - d. Allocate \$50,000 of non-capital funds to support the 2008 OWEB Biennial Conference, and delegate to the Executive Director the authority to distribute the funds for personnel, contracted services, and other associated costs consistent with section IV.I. of this report.
 - e. Allocate \$50,000 of non-capital funds to support Agency Outreach, and delegate to the Executive Director the authority to distribute the funds consistent with section IV.I. of this report.
 - f. Allocate \$25,000 of non-capital funds to support Training Opportunities, and delegate to the Executive Director the authority to distribute funds consistent with the purposes outlined in section IV.I. of this report.

Other specific proposals for Board funding allocations are recommended as part of other staff reports as referenced above.

Staff will report to the Board on the implementation of the spending plan at each Board meeting and suggest alterations as needed. As the availability of other funds becomes more certain, staff will discuss with the Board how those additional funds may be used to meet OWEB needs.

Attachments

- A. Capital Spending Plan Allocations (table)
- B. Non-Capital Spending Plan Allocations (table)
- C. Research Fund Allocations (table)

2007-2009 Biennium Capital Spending Plan

Available Funding = \$59.5 million

Program Element	May 2007 Allocation	Sept 2007 Allocation	Sept 2007 Reserve	Total
Small Grants	\$2,800,000	\$0	\$0	\$2,800,000
2005-07 Phased Awards	\$1,263,500	\$1,487,250	\$0	\$2,750,750
CREP	\$0	\$4,000,000	\$0	\$4,000,000
Special Investment Partnerships	\$0	\$0	\$12,000,000	\$12,000,000
Oregon 150 Grants	\$0	\$1,000,000	\$0	\$1,000,000
Regular Restoration/Acquisition	\$0	\$8,821,753	\$28,127,497	\$36,949,250
Totals	\$4,063,500	\$15,309,003	\$40,127,497	\$59,500,000

2007-2009 Biennium Non-Capital Spending Plan

Available Funding = \$7.9 million

Program Element	Sept 2005 Allocation	Sept 2007 Reserve	FFY 2008 PCSRF	Total
Local Capacity	\$2,200,000	\$0		\$2,200,000
Technical Assistance	\$1,000,000	\$500,000		\$1,500,000
Recovery Planning	\$1,500,000	\$0		\$1,500,000
Monitoring Grants	\$0	\$1,500,000		\$1,500,000
Education/Outreach Grants	\$0	\$500,000		\$500,000
Assessment Grants	\$0	\$0		\$0
Oregon Plan Products	\$0	\$0		\$0
Regional Restoration Priorities	\$100,000	\$0		\$100,000
Biennial Conference	\$50,000	\$0		\$50,000
Special Investment Partnerships	\$50,000	\$0		\$50,000
Agency Outreach	\$50,000	\$0		\$50,000
Training Opportunities	\$25,000	\$0		\$25,000
Totals	\$4,975,000	\$2,500,000	\$0	\$7,475,000

Remaining Funding = \$425,000

2007-2009 Biennium Capital Research Funds Spending Plan

Anticipated Funding = \$4.9 million

Program Element	Sept 2007 Allocation	Sept 2007 Reserve	Total
Item K Research Awards	\$2,964,616		\$2,964,616
Item L Dam Removal Effectiveness Monitoring	\$308,410		\$308,410
Unallocated Balance			\$1,626,974
Totals	\$3,273,026	\$0	\$4,900,000

2007-2009 Biennium Non-Capital Research Funds Spending Plan

Anticipated Funding = \$2.7 million

Program Element	Sept 2007 Allocation	Sept 2007 Reserve	Total
Item K Research Awards	\$129,154		\$129,154
Non-Capital Grant Program		\$1,500,000	\$1,500,000
Unallocated Balance			\$1,070,846
Totals	\$129,154	\$1,500,000	\$2,700,000