



Oregon

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Oregon Watershed Enhancement Board

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May 5, 2008

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

SUBJECT: **Agenda Item J: Potential Budget Policy Packages
May 20-21, 2008 OWEB Board Meeting**

I. Introduction

This staff report updates the Board on the process to develop budget proposals for the 2009 legislative session, and describes potential budget policy packages for the 2009-2011 biennium.

II. Background

Staff are preparing agency budget proposals, which will be submitted to the Governor and the Department of Administrative Services (DAS) for possible inclusion in the Governor's Recommended Budget for the 2009-2011 biennium. OWEB must submit budget requests for needs that are in addition to the agency base budget by the end of June. The May meeting provides an important opportunity for staff and the Board to discuss potential budget policy packages. The budget process and policy packages staff are considering are outlined below.

III. Budget Development

A. Process

Oregon agencies are budgeted on a biennial basis. Submissions are structured so that each agency's existing (or "base") budget is recalibrated and submitted without need for specific policy description or justification. Additions to the base budget are identified separately with full policy narratives and justification of funds requested. The requested additions to an agency's base budget are called "Policy Packages."

The Governor provides instructions to guide agency development of Policy Packages. Each agency submits its Policy Packages to the Governor and DAS each summer before the legislative session. The Governor then develops the Executive Branch budget for submission to the Legislature in December, just before the session begins. Called the "Governor's Recommended Budget," this budget document includes a selection of agency Policy Packages that reflect the Governor's priority programs and initiatives. It is the Governor's Recommended Budget, not the Agency Request Budget, which is the beginning point for legislative budget hearings. During the legislative session, agencies may advocate for their individual Policy Packages only to the extent that they are included in the Governor's Recommended Budget.

B. OWEB Schedule for Policy Package Development

Staff have already initiated internal discussions regarding Policy Packages for the 2009 Legislative Session. The schedule for the development of Policy Packages follows:

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|----------------|--|
| May 2008 | OWEB Board discussion of draft Policy Package concepts |
| May-June 2008 | Staff draft Policy Packages |
| June 2008 | Finalize agency Policy Packages |
| September 2008 | Submit full agency request budget document |

C. Proposed OWEB Budget Policy Packages

OWEB's budget has grown and its programs have evolved to meet the needs of the public it serves. Increasing Lottery Fund revenues have allowed for significant grant investments around the state. That growth has created challenges for OWEB staff to effectively administer programs associated with these investments.

Most of OWEB's budget for current operations and key programs is reflected in the essential budget level of the agency, which has continued during the 2007-2009 biennium, and is anticipated to be continued in the 2009-2011 budget biennium. OWEB staff approach the development of Policy Packages as a means to identify and address constraints and deficiencies in current program levels, and to meet new and emerging needs.

Staff propose the following Policy Package concepts as potential additions to OWEB's existing base budget funding and positions. Some concepts seek only program funds, while others seek funding to continue limited duration positions or create new ones. Each proposal contains a brief description of the request, identifies the needed position or funding, and proposes the source of revenue to meet the need. Over the years, OWEB's budget has been funded with a combination of Lottery Funds-Operating (non-capital) and Pacific Coastal Salmon Recovery Funds (PCSRF) federal funds. Based on the significant cut proposed for PCSRF in the President's FY09 federal budget, staff anticipate a significant drop in PCSRF funds in the future. Our budget proposals reflect that potential outcome by shifting as much funding to Lottery Funds as possible.

1. This biennium, OWEB's budget contained a total of \$5 million each for watershed council and soil and water conservation district support funded from a combination of Lottery Funds-Operating and PCSRF. A request will be made to shift 100 percent of the funding to Lottery Funds-Operating.
2. The 2007-2009 budget included \$11.1 million for non-capital grants funded from Lottery Funds-Operating and PCSRF. A request will be made to shift the funding onto 100 percent Lottery Funds-Operating and increase the amount to \$15 million.
4. Establish a placeholder of approximately \$7.3 million to receive Federal Funds limitation for the PCSRF Federal Fiscal Year 2009 and 2010 grants.
5. Request Lottery Research funds to continue the Research Grant Program based on interest earnings to be credited during 2009-2011. Early calculations project \$2 million operating and \$3.8 million capital.

6. Establish a permanent Office Specialist 2 position in the Grant Program funded with Lottery Funds-Operating. Since November 2003 the position has been limited duration. It is funded with PCSRF and Lottery Funds-Operating in 2007-2009.
7. Establish a permanent Grant Payment Specialist (Acct 1) position in the Fiscal Section funded from Lottery Funds-Operating. This position processes small grant and Conservation Reserve Enhancement Program payments as well as regular grants, and reconciles the database accounts to the state accounts. Since November 2003 the position has been limited duration. It is funded with PCSRF and Lottery Funds-Operating in 2007-2009.
8. Establish a permanent Business Application Specialist (ISS 7) funded from Lottery Funds-Operating. This position will continue the development and maintenance of an integrated database for fiscal and performance reporting functions of the agency. This position has been limited duration since July 2005. It is funded from PCSRF in 2007-2009.
9. Continue the limited duration PCSRF Reporting Specialist (NRS 2) funded from PCSRF grant funds. This position will continue to provide key support for Oregon's quarterly and annual reporting to NOAA Fisheries on use of PCSRF funds. This position has been limited duration since July 2005. It is funded from PCSRF in 2007-2009.
10. Establish a permanent Oregon Plan Communications Coordinator position (Public Affairs Specialist 2) from Lottery Funds-Operating. This position carries out the statutory mandate for OWEB to promote the Oregon Plan. The position has been limited duration since July 2007. It is funded with PCSRF and Lottery Funds-Operating in 2007-2009.
11. Establish a permanent Data Management position (NRS 3) in the Monitoring and Reporting Program from Lottery Funds-Operating. This position addresses the need for coordination of inter-agency databases and information systems and improves the sharing of data between the local and statewide levels. The position is the lead technical contact for agency performance measures. This position has been limited duration since July 2007. It is funded from PCSRF in 2007-2009.
12. Establish a permanent Regional Program Representative (RPR) (NRS 4) in a seventh region west of the Cascades funded from Lottery Funds-Operating. The position will help manage an RPR workload that has increased tremendously over the years. The position will help expand and improve RPR services to stakeholders in regions 1, 2 and 3.
13. Establish a limited duration Internal Auditor (IA 3) from Lottery Funds-Operating to support an internal audit function as required by OAR 125-700-0020. Agencies with biennial expenditures exceeding \$100 million are required to support and maintain a full-time internal audit function. OWEB's 2007-2009 biennial budget is \$108 million and the 2009-2011 budget is expected to exceed \$100 million.

14. Establish a limited duration Climate Change and Research Coordinator (NRS 4) from Lottery Funds-Operating to serve as lead on climate change issues, manage the research grant program, and serve as an assistant program leader for the Monitoring and Reporting section.
15. Establish a permanent Partnership Investment Coordinator (NRS 4) from Lottery Funds-Operating to plan, lead, and implement OWEB's program investments that occur outside of the regular grant program. These investment areas, which involve approximately \$20 million of OWEB funds, include the Conservation Reserve Enhancement Program (CREP), Special Investment Partnerships (SIP), the Whole Watersheds Partnerships Initiative, and salmon recovery plan development and implementation.
16. Establish two limited duration Partnership Investment Specialists (NRS 3) from Lottery Funds-Operating to focus on day-to-day implementation and oversight of OWEB program investments that occur outside of the regular grant program. These positions will concentrate on efforts in the field, manage grant agreements and contracts, and work with local partners to implement high priority projects associated with salmon recovery plans, CREP, SIP, and the Whole Watersheds Initiative.
17. Establish a permanent Office Specialist 2 position from Lottery Funds-Operating to provide administrative support to the Monitoring and Fiscal programs.
18. The Independent Multidisciplinary Science Team seeks funding to support additional team member and research assistant time to complete salmon recovery plan reviews, help meet overhead obligations to Oregon State University, and host two workshops dealing with existing projects and emerging issues. The total funding necessary to cover these needs has not been finalized.
19. The Lower Columbia River Estuary Partnership seeks to increase its base funding received from the state. LCREP, as part of the National Estuary Program, has received approximately \$300,000 from the States of Oregon and Washington since 1995. LCREP proposes to increase this amount, which covers base operations for the organization, to address cost of living increases over the past 13 years.

IV. Staff Recommendation

This is an informational item. Staff seek Board discussion and input on these proposed Policy Packages and other potential issues of interest to Board members, but no Board action is requested at this time.