



Kate Brown, Governor



OREGON
WATERSHED
ENHANCEMENT BOARD

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Date: April 6, 2020
To: OWEB Board Members
From: Meta Loftsgaarden, Executive Director
Subject: Grant Recommendations for April Board Meeting

As you know, we are in an unprecedented situation with the COVID-19 outbreak and associated Stay at Home orders that are keeping our family, friends, and neighbors safe. As a part of those orders, in mid-March, Governor Brown worked with Oregon Lottery to power down all video lottery machines as bars and restaurants were closing. The estimated Lottery revenue impact of those closures is still unknown. As a result of budget uncertainties, in discussions with the board co-chairs, below are a suite of recommendations and additional background.

1. Place a pause on board financial awards and budget decisions. Late last week, following conversations with the State of Oregon's Chief Financial Officer, I have recommended to the Board co-chairs, and they have agreed, that the board pause all financial awards and budget decisions at the April board meeting, including placing a pause on Open Solicitation and Acquisition awards that were slated to be presented at the meeting. Instead staff will wait to make our recommendations to the board until after we receive the May Lottery distributions and revenue forecast.

Given the unknowns around budget projections at this time, we want to be able to provide the best information to you as you make funding decisions. We believe the most prudent option is to put a pause on award granting until we have a better handle on revenues.

At the same time, I am also placing a pause on funding any grant that has not been approved as of April 3 that is a part of a 'director delegation' by the board. This move assures that all grant types – from small grants to Governor's Priorities and Focused Investment Partnerships – are treated equally. Funding considerations for all grants—regardless of grant type—are on 'pause' until we have additional information about current revenues and projections.

The pause will be discussed as a formal agenda item at the April board meeting, but I wanted to make you aware of this recommendation now. We are also informing our staff and grantees so they are not caught off guard in advance of the April meeting. I am scheduling Zoom conference calls with grantees in each region to provide this update on Tuesday, April 7.

2. Hold two board meetings to accommodate non-financial and financial decisions. To accommodate this pause in financial awards and budget decisions, in consultation with the co-chairs, we will divide our April board meeting into two segments, one that will occur in April and the other to take place in early June. On April 21, we will meet to discuss all non-financial

decisions and will receive an update on the latest regarding state budgets. We will then schedule a meeting in early June to discuss grant awards and budget. A June meeting will give staff and the Chief Financial Office enough time to evaluate the May Lottery disbursements and revenue forecast and to develop a set of recommendations for the board.

3. Continue to make payments on open grants based on current funding available. In terms of our current Lottery revenues, we have been lucky in the first nine months that our revenues exceeded budget expectations. That said, this biennium – like most - we fund a higher percentage of grants in the spending plan at the beginning of the biennium. This includes awards like Capacity grants. With higher than expected revenues and front-loaded grant awards, we are about even between revenues and expenditures as of this date. And as a reminder, our current and future revenues also include Pacific Coastal Salmon Recovery Funds (PCSRF), which we expect to be at a similar level to last year.

Given that we have funding on hand for our current open grants, we will not stop payments on existing open grants, and we will not sweep any funds from existing open grants at any time this biennium.

4. Accept applications for Spring 2020 grant cycle. We do intend to receive grant applications for the Spring 2020 grant cycle, the deadline for which has been extended from April 27 to May 11. While we don't yet have a board decision on next steps related to funding awards, we think it is important to continue to receive grant applications. This will allow us to move forward when we can, and to also look for opportunities to fund worthy projects through other means that may emerge.

5. Operating fund precautions. While OWEB's Legislatively Adopted Budget outlines the agency's biennial operations budget that is managed by the executive director, I did want to keep you up to speed on our plans there as well. As a reminder, 65% of the funds we receive from Lottery are required to be used for grants, which the board oversees, and 35% are distributed per the legislative budgeting process to OWEB and other agencies for staffing. Lottery Fund Operating revenues cover much of the operations of our agency (including both staffing and contracts) and are distributed to other agencies for staff as well. Funds cannot be traded between grants and operations. As noted above regarding Lottery revenues received, revenues were above budget through February on both the grants and operations sides, thus OWEB exceeded the revenues needed for our operations budget up to that point in the biennium. As a result, our operating fund is covering costs currently. However, to be prudent and reserve funds where possible, we are also putting a pause on all contract expenditures to the extent practicable.

Next Steps. We will be holding conference calls with each region on Tuesday, April 7 to provide this information, and will share this memo with grantees and other interested individuals as well. It will also be a part of the board meeting materials.

We are collecting a new set of FAQs as a result of this announcement and will update our FAQs (<https://www.oregon.gov/oweb/Pages/index.aspx>) on the web daily. If you have questions you think should be addressed through the FAQs, please send them to Courtney.Shaff@oregon.gov. This will ensure we have consistent answers to all questions for our grantees and others.

During these challenging times, I am reminded what an honor it is to work alongside OWEB's exceptional board and staff to support our local grantees. Working together, we will guide the agency and our investments through the uncertainty ahead. Thank you for your service to our OWEB and Oregon.

Cc: Jason Miner, Office of Governor Brown, Natural Resources Policy Director
George Naughton, DAS Chief Financial Officer
Linnea Wittekind, DAS Budget and Management Analyst
Paul Siebert, Legislative Fiscal Office Deputy Director
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