



CAPACITY GRANT RULEMAKING FAQ



INTRODUCTION

The Oregon Watershed Enhancement Board (OWEB) and Oregon Department of Agriculture (ODA) are working together on an engagement and subsequent rulemaking process for Soil and Water Conservation District (SWCD) and Watershed Council capacity grants. The engagement will take place from February to May, and rulemaking will most likely start in the fall of 2026. The updated rules would apply starting with the 2029-2031 capacity grant applications.

It is the intention that the process of managing the grants will continue to have OWEB manage Watershed Council Grants and the financial aspects of SWCD grants. ODA will continue to have a Scope of Work with SWCDs and be the grant administrator for the SWCD grants.

Why are OWEB and ODA doing this rulemaking now?

- OWEB has received requests from Watershed Councils that are not eligible for capacity grants under current rules.
- OWEB usually reviews and updates rules every 5 to 7 years, and it has been 12 years since these rules were updated.
- As the overall amount of capacity grant awards increases, it's important for OWEB to take a regular look at how the grants align with the eligible uses of lottery grant funding outlined in the Oregon Constitution.
- SWCD capacity grants changed from being general-funded in ODA's budget to being Measure 76 (M76) lottery grant-funded in the OWEB grants spending plan starting in the early 2010s, as a result of the legislative budgeting process. There are no program-specific rules for SWCD capacity grants like there are for other OWEB grant programs. For transparency and good government, OWEB prefers to have rules for all its grant programs.

What is Measure 76?

Ballot Measure 76 was passed by Oregon voters in 2010. It allocates 7.5% of lottery revenues for watershed health purposes. 70% of that funding comes to OWEB to award through its grant programs. 30% of the funding supports watershed-related operations activities. Ballot Measure 76 is codified in Title XV of the Oregon Constitution. The Oregon Legislature also passed legislation further explaining Ballot Measure 76 and this is captured in OWEB's statutes.

What are eligible projects? What types of activities are eligible for Measure 76 funding?

Many different projects and activities are eligible for Measure 76 grant funding. Eligible projects are those that protect or restore native fish or wildlife habitats, or that protect or restore natural watershed functions to improve water quality or stream flows. Project development activities include resource assessment, planning, design and engineering, technical assistance, monitoring, and engagement activities necessary for carrying out restoration or acquisition projects. A short list of examples is included at the end of this FAQ.

How do indirect costs fit in? What is OWEB's definition of indirect?

Indirect costs are overhead or administrative costs incurred by an organization that cannot be easily allocated to a specific project or function. OWEB's [Guidance on Budgeting in Grants](#) document includes lists of examples of eligible and ineligible indirect costs. Eligible costs include bookkeeping, financial services, audit services, utilities, office supplies, rent, and administrative staff.

The current capacity grant structure does not allow for indirect costs because some of the direct costs billed to capacity grants would likely be considered indirect. OWEB and ODA are exploring a different structure that would allow for an indirect line item in capacity grant budgets.

What else do OWEB and ODA plan to change as a part of the rulemaking?

Our ideas are in the exploration phase – we don't have a set agenda for the rulemaking. The rulemaking proposals will be influenced by what we hear from partners during the engagement process this spring and summer. Final rule adoption is the responsibility of the OWEB board. Some of the topics that we plan to ask about include:

- Capacity grant allocation formula – should it stay non-competitive or should we consider adding competitive, or performance-based, elements?
- Should the incentives to support mergers of Watershed Councils and shared services be changed?
- What criteria should be used to evaluate capacity grant applications?
- Should additional accountability measures be built into the capacity grantmaking process?
 - If OWEB transitions to capacity grant budgets that separate direct/indirect costs, how will that affect your organization?
- Should we change the rules on which councils are eligible for capacity grants?
- What do grantees like about the current capacity grant structure and process, and what would you like to see changed?

How can I provide feedback to OWEB and ODA during this process?

Attend a virtual or-in person listening session, contact one of the OWEB-ODA team members, participate in a session at Connect, complete a survey about the rulemaking, or all of the above.

EXAMPLES OF MEASURE 76-ELIGIBLE PROJECTS AND ACTIVITIES

- Engaging landowners, land managers, and other partners to recruit participants in restoration or acquisition projects
- Meeting with a specific landowner or land manager who is interested in restoration and watershed protection activities on their property
- Hosting a workshop on invasive streamside weed control for specific landowners or operators, providing technical information on effective weed prevention and control, and following up with participants
- Meeting with a landowner to discuss an irrigation efficiency project that addresses natural watershed functions to improve water quality or stream flows
- Applying for an OWEB grant for a watershed restoration or acquisition project or managing an eligible project
- Organizing a partnership of organizations in the area to collaborate on watershed restoration or acquisition activities
- Planning or implementing a culvert replacement project to support aquatic species fish passage
- Thinning conifers to restore oak habitat
- Seeding grasses and forbs to restore sage-steppe habitat
- Juniper removal to enhance native vegetation that supports wildlife habitat