OREGON ENVIRONMENTAL RESTORATION COUNCIL
PROGRAM UPDATE
STAFF REPORT I JULY 15, 2026

REPORT PURPOSE: This report provides information to support the Program Manager's verbal update at the July 15, 2026, Oregon Environmental Restoration Council (OERC or Council) meeting.

BACKGROUND
At a September 16, 2026 OERC meeting, the Council will hear information and make decisions pertaining to distributions from the Oregon Environmental Restoration Fund (OERF). This staff report and the Program Manager's update at the July 15, 2026 meeting will provide a preview of those upcoming decisions and financial information. A brief financial report will also be made.

OVERVIEW: ANNUAL DISTRIBUTION FROM THE OERF
ORS 541.865 directs the OERC to annually determine the amounts that shall be transferred from the OERF for administrative expenses and transfers to the statutorily established funds. The sequence of distribution decisions prescribed by statute to occur before December 1 of each year, and anticipated for the OERC's September 16, 2026 meeting, is as follows:

1. **DETERMINE PROGRAM ADMINISTRATIVE COSTS**

First, the OERC must determine the amount to be transferred from the OERF to the Oregon Watershed Enhancement Board (OWEB) as fund administrator to cover the costs of the OERC and OWEB in administration of the Oregon Environmental Restoration Program (OERP).

ORS 541.865 (3) directs the OERC to determine an amount "reasonably necessary to cover the costs" of implementation of the funds and program, which is not to exceed 0.25% of the balance of the OERF on June 30 (fiscal year end) of the prior fiscal year, unless a greater amount is approved by the OERC.

OWEB did not request funds to cover program administrative costs in 2025 as sufficient funds remained from the initial allocation of $5 million made during the 2023-2025 biennium. For the 2026 distribution, OWEB will be requesting at least 0.25% of the fund balance at June 30, 2026, and will also discuss with the Council an additional emerging need that may warrant the transfer of additional funds for program administration.

2. **OERC 2026 DISTRIBUTION FROM THE OERF**

The second step in the distribution decision process is for the OERC to determine a distribution amount from the OERF to the three statutorily established funds, in accordance with the Long-Term Distribution Policy (ORS 541.865 (4)). The current Long-Term Distribution Policy, adopted by the OERC on October 9, 2025, states that the annual distribution amount will be 5% of the OERF balance, with an inflation-adjusted ceiling of $30 million and floor of $15 million.

Prior to the September 2026 meeting, OERC will receive materials from Oregon State Treasury (OST) that will include:

- The balance of the fund on June 30, 2026;
- Inflation-adjusted values for the ceiling and floor thresholds; and
- Performance reports on investments.

OST staff will also present information related to fund performance at the September 2026 meeting and will be available to answer questions. OERC will use this information to deliberate on and determine and vote on the distribution amount for 2026.

3. PROPOSED TECHNICAL UPDATES TO OERC LONG-TERM DISTRIBUTION POLICY

In addition to the annual distribution decisions outlined above, staff are recommending the OERC consider several non-substantive clarifying updates to the language in the OERC's Long-Term Distribution Policy, which was adopted at the OERC's inaugural meeting on October 9, 2025. Staff have reviewed the policy with Oregon State Treasury staff and will be recommending amendments to the policy language to incorporate updated statutory references, improve alignment with the Oregon Revised Statutes, and provide greater clarity on distribution calculations and order.

A preview of some of the changes to the Long-Term Distribution Policy will be shared at the July 15, 2026 meeting. The full version of the revised Long-Term Distribution Policy will be shared at the September 16, 2026, meeting where OERC will be asked to review and discuss the recommended changes in anticipation of a vote at its next meeting, currently scheduled for November 18, 2026.

These proposed updates to the Long-Term Distribution Policy do not substantively change the implementation of the policy, nor will they affect how OERC determines the distribution amount for 2026.

OERF FINANCIAL REPORT

At each future meeting, the Program Manager's report will include a summary level financial report for the OERF based on the last fiscal month available. The OERF Financial Report for month ending May 31, 2026, is included below. During June 2026, a total of $510 million was invested by Oregon State Treasury and will be included in the OST fund performance report in September 2026.

Oregon Environmental Restoration Fund (OERF) Report as of May 31, 2026

Fund Balance

Cash Balance	$	603,286,476.38
Investment Balance	$	-
Total Fund Balance	**$**	**603,286,476.38**

Income

Interest earned fiscal year to date	$	25,661,450.56

Historical Balances & Distributions

Fund Balance at end of prior fiscal year (2025)	$	607,625,025.82
2025 Distribution	$	30,000,000.00