

August 26, 2005

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

**SUBJECT: Agenda Item E: 2005-2007 Non-Capital Fund Spending Plan
September 13-14, 2005 OWEB Board Meeting**

I. Introduction

In this report, staff propose a spending plan for \$4.35 million in non-capital funds appropriated to Oregon Watershed Enhancement Board by the Legislature for the 2005-2007 biennium. This report and its attachments offer a strategy to guide the distribution of 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

The 2005-2007 Legislatively Adopted Budget for OWEB includes \$4.35 million [\$1.55 million of Measure 66 Lottery Funds and \$2.8 million of federal Pacific Coastal Salmon Recovery Funds (PCSRF)] 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. Non-capital funds may be distributed through the competitive grant process or by direct allocation by the Board.

Measure 66 non-capital 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 PCSRF funds are for recovery planning or for recovery and restoration of salmon or steelhead.

III. Comparison of the 2005-2007 Budget to Previous Budgets

The \$4.35 million available in the non-capital fund does not include potential additional funds from the PCSRF for federal fiscal year 2006. In past biennia, even-year PCSRF funds became available to bolster the non-capital grant program during the second half of the biennium. Table 1 compares this biennium's non-capital funds with previous biennia.

Table 1. 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 | Unknown |

* Does not include FFY 2006 PCSRF Funds

Staff are hopeful the FFY 2006 PCSRF funds will be available by July of 2006. At this time it is difficult to predict the level of funding that will be available for Oregon.

IV. Proposed Non-Capital Fund Spending Plan

There are many ways to approach the distribution of funds for a non-capital fund spending plan. While we are fortunate to begin the biennium with \$4.35 million, these funds are not sufficient to fully meet the wide array of non-capital fund needs throughout the state. Given this limitation, there is no perfect way to allocate the non-capital funds to adequately meet all needs.

Staff propose a non-capital spending plan that emphasizes local capacity support. Supporting local capacity means targeting Board investments to support the actions of local watershed groups -- watershed councils, soil and water conservation districts, and other local groups. These groups are the key interface between OWEB, landowners, and local communities, and their efforts lead to a significant number of OWEB-funded restoration projects. Ultimately, effective actions of local groups help to implement objectives of OWEB and the Oregon Plan for Salmon and Watersheds.

At its May 2005 meeting, the Board made clear its interest in finding additional support for watershed councils and other local watershed groups. Given the 70 percent increase in capital funds over last biennium (\$41.3 million), more funds than ever before will be available this biennium for restoration project grants. With this in mind, staff propose a non-capital spending plan intended to support local groups and focus on key OWEB program needs.

The following table sets out the proposed funding purposes and amounts for the non-capital funds to start this biennium. The spending plan would allocate funds to most traditional non-capital purposes and emphasizes building local capacity to address immediate local and statewide needs. Staff target significant investment in technical assistance and propose more modest amounts of funding for other purposes with the hope that additional PCSRF funds in 2006 will provide additional resources for these needs later in the biennium. The non-capital fund program elements and the use of the funds are described briefly below and explained in greater detail in the attached staff reports.

Table 2. Proposed Non-Capital Funds Spending Plan

| Program Element | Amount | Report |
|--|--------------------|---------------|
| Council Support | \$561,002 | E-1 |
| Technical Assistance | \$1,900,000 | E-2 |
| Recovery Planning | \$200,000 | E-2 |
| Monitoring | \$850,000 | E-3 |
| Watershed Assessment | \$0 | E-3 |
| Education/Outreach | \$400,000 | E-4 |
| Oregon Plan Products | \$250,000 | E-5 |
| Regional Priority Setting | \$139,000 | E-5 |
| Sustainability/E2 | \$50,000 | E-6 |
| Total 2005-2007 Non-Capital Funds Available | \$4,350,000 | |

Council Support (see Item E-1): This program element involves an immediate allocation of funds to fulfill the watershed council support grant funding decision made at the May 2005 Board meeting. This action is a high priority item to address the Board's grant award commitment.

Technical Assistance (see Item E-2): Technical assistance will play a key role to develop proposals for capital funded projects that meet priorities of the Board. Directing non-capital funds to support technical assistance will increase the capacity of OWEB's local partners to engage in project development, planning, design, coordination and permitting. Staff recommend the Board invest sufficient non-capital funds for the following purposes: integrating technical assistance into the regular grant cycle, Conservation Reserve Enhancement Program (CREP) technical assistance, and providing early action assistance to develop projects for the April 2006 or October 2006 grant cycle.

Recovery Planning (see Item E-2): Planning for salmon recovery is an important priority for the Governor's Office, Legislature, and the National Marine Fisheries Service. Providing a financial incentive for local groups to participate in the anticipated recovery planning stakeholder team processes will help to ground the planning effort in local values and knowledge. This proposed allocation of non-capital funds will help cover the costs for local partners to participate in recovery planning efforts.

Monitoring/Assessment (see Item E-3): A reduced offering to continue monitoring projects is proposed for the October 2005 grant cycle. The allocation also recommends reserving significant resources to provide state level monitoring associated with recovery planning. Limited non-capital funds compel staff to recommend not offering a watershed assessment grant cycle in October 2005. Future assessment grant cycles may be offered if additional PCSRF funds are available later in the biennium.

Education/Outreach (see Item E-4): The investment in Education and Outreach is guided by the strategy recently adopted by the Board that focuses on awareness, knowledge, and skill development. The spending plan proposes to allocate funds for increasing awareness through hiring in-house staff dedicated to that purpose. A grant cycle for October is proposed to target education projects focused on building knowledge. Skill development will be addressed through a small allocation of funds to provide specific training opportunities to local partners.

Oregon Plan Products (see Item E-5): OWEB, through its funding resources, plays a key role in supporting 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. Staff recommend reserving non-capital funds for potential items that could come before the Board at future meetings.

Regional Priority Setting (see Item E-5): The continuation of the effort to develop regional priorities (at the reporting basin scale) for the Board will help to guide future restoration funding decisions and be useful in the review of projects. The funding can be used to integrate Board priorities with similar regional efforts throughout the Columbia Basin.

Sustainability/E2 (see Item E-6): This item proposes creating a Local Innovation Fund to support demonstration projects that benefit local ecological, economic, and community needs.

V. Recommendation

Staff recommend the Board approve the spending plan as a guide for allocating non-capital 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. More specific actions are recommended as part of the attached reports.

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.