



Oregon

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Oregon Watershed Enhancement Board

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MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director
Melissa Leoni, Senior Policy Coordinator

**SUBJECT: Agenda Item G: Budget and Legislative
March 16-17, 2010 OWEB Board Meeting**

I. Introduction

This report provides an update on OWEB's 2009-2011 budget and spending plan and the 2010 Special Session of the Legislature. This staff report also updates the Board on the agency's budget and legislative agenda preparation for the 2011 legislative session, and requests Board approval of a placeholder legislative concept related to ecosystem services.

II. 2009-2011 Budget and Spending Plan

At the September 2009 meeting, staff proposed a spending plan for \$46.6 million in capital funds and \$8.0 million in non-capital funds appropriated to the Oregon Watershed Enhancement Board by the Legislature for the 2009-2011 biennium. The proposed plan was intended to guide the distribution of capital and 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.

The proposed spending plan was influenced by a number of factors, the first being an update to OWEB's Strategic Plan and the development of a Communications Plan, and the second being the potential vote to reauthorize dedicated lottery funding for watershed and conservation purposes. These plans offer a series of actions above and beyond traditional program demands and the latter requires immediate action to be able to respond to an anticipated increase of interest in and requests for information about OWEB's programs.

The Board approved spending plan is shown in Attachment A. Staff have updated the spending plan tables to incorporate the capital and non-capital recommendations set forth in Agenda Item F. As stated in the Item F Overview staff report, staff did not propose targets for the October 2009 Grant Cycle. At this time, we are not proposing targets for the April 2010 and October 2010 cycles.

Given the economic downturn, it is difficult to predict with certainty exactly the amount of Lottery capital and non-capital funds available for the remainder of the biennium. Staff expect

that OWEB will receive additional non-capital funds through the Pacific Coastal Salmon Recovery Fund (PCSRF) for federal fiscal year 2010. In 2009, OWEB was awarded \$13.2 million in PCSRF funds. The 2010 PCSRF funds should be available by the end of the summer.

The latest revenue forecast for the current biennium estimates Lottery Fund revenues are down six percent from projections made at the beginning of the budget cycle. At the time of writing this report, it appeared the Legislature would not take action to cut the budgets of dedicated Lottery Fund agencies. Rather, it appears more likely that reduced revenues will be reflected in the last distribution of funding for the biennium in May 2011. Under this scenario, all agencies that receive Lottery Parks and Natural Resources funds would see a proportionate reduction reflected in their final distribution. If the last distribution were to happen at this time, OWEB would face a shortfall of approximately \$538,000 in non-capital funds and \$2.5 million in capital funds. It is difficult to predict whether Lottery Fund revenues will grow, go down or stay where they are over the remainder of the biennium.

In light of this situation, the OWEB management team is considering all available options to cover a budget hole for the agency at the end of the biennium. We have also alerted the other Parks and Natural Resources agencies of the need for them to prepare for a shortfall of revenue in their budgets.

III. 2010 Legislative Session

The Oregon Legislature met in special session during February. Staff tracked a handful of bills with the potential to affect OWEB or its programs. As of writing this staff report, only one bill is anticipated to impact OWEB's statutes. SB 1014, sponsored by Senate President Peter Courtney, is primarily a housekeeping bill related to state boards, commissions, and legislatively appointed task forces. The original bill did not include language changing the Board's statutes, although it would explicitly allow meetings of boards and commissions via conference call in Oregon state law.

In the Senate committee process, however, language was added to eliminate a number of inactive task forces, including deletion of the Healthy Streams Partnership (HSP) statutes. The HSP was first authorized by statute in 1997 and was directed to advise the Joint Legislative Committee on Stream Restoration and Species Recovery on Oregon Plan issues. The HSP statutes are housed in the OWEB statutes.

Oregon statute does not include a sunset date for the HSP; it hasn't been appointed or convened by the Governor or Legislature per the statute since the 2001-2003 biennium. Similarly, the Joint Legislative Committee structure hasn't been used since the 2001-2003 biennium. If the bill becomes law, staff will provide the Board with an updated copy of the OWEB statutes.

As mentioned in Section II of this report, it appears that the Legislature will not act to cut dedicated Lottery Fund agency budgets. Instead, OWEB and other agencies may be required to make administrative reductions to address a revenue shortfall at the end of the biennium.

IV. 2011 Legislative Concepts

Although the 2011 legislative session does not begin for another year, state agencies are beginning to prepare legislative proposals. State agency legislative concepts are submitted to the Legislature by the Governor after a nearly nine month development and review process.

Legislative concepts are first submitted by agencies to the Department of Administrative Services (DAS). The deadline to submit 2011 legislative concepts is April 9, 2010.

By June 1, 2010, DAS and the Governor's Office will make final decisions about which legislative concepts are approved and can be submitted to Legislative Counsel for drafting. Ideally, agencies propose legislative concepts that are fairly well developed, with draft language and stakeholder involvement. However, it is often not possible to have fully developed concepts by April for task forces or work groups that have been formed to develop policy recommendations. In these instances, agencies may submit placeholder concepts. Agencies are then given until July 14, 2010, to submit additional substantive or administrative details about placeholder concepts.

At the February 17, 2010, meeting of the SB 513 Ecosystem Services Markets Working Group (Working Group), members requested that OWEB submit a legislative concept placeholder on their behalf. While there is uncertainty as to whether a legislative concept will be necessary for advancing policy recommendations from the SB 513 process, the Working Group prefers to preserve the option in the event that it is appropriate.

Staff recommend that the Board authorize staff to submit a placeholder legislative concept to DAS by April 9, 2010 to preserve this option for the Working Group. Staff will report back to the Board at the June 2010 meeting on the status and potential content of the concept.

V. 2011-2013 Budget

This section of the report describes the process for developing the agency budget for 2011-2013, and seeks Board member input on principles to help guide staff in the development of new budget proposals for consideration at the June Board meeting.

A. Process

Oregon agencies are budgeted on a biennial basis. Budgets 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 Agency Request Budget to the Governor and the Department of Administrative Services the 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 that 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.

Staff recently started internal discussions regarding possible budget proposals for the 2011 legislative session. We plan to present staff budget proposals to the Board for discussion at the June Board meeting. We estimate the schedule for agency budget development will be as follows:

- March 2010 OWEB Board sets out budget guidance principles for staff
- March-May 2010 Staff develop budget proposals based on Board principles
- June 2010 OWEB Board discussion of draft Policy Packages
- June-July 2010 Finalize agency Policy Packages
- September 2010 Submit full Agency Request Budget document

B. Board Guidance for Budget Development

The development of the Agency Request Budget is the opportunity for an agency to consider the optimal needs and highest priorities for its programs. With this in mind, at the March meeting OWEB staff will seek input from Board members on principles that can help shape the drafting of budget proposals for the June Board meeting. For example, the Board may want to consider the recently developed goals of the updated Strategic Plan as a foundation:

- Restore and sustain resilient ecosystems through program and project investments that enhance watershed and ecosystem functions and processes and support community needs (Goal 1).
- Support an enduring, high capacity local infrastructure for conducting watershed and habitat restoration and conservation (Goal 2).
- Provide information to help Oregonians understand the need for and engage in activities that support healthy watersheds (Goal 3).
- Build and maintain strong partnerships with local, state, tribal and federal agencies, nonprofit organizations and private landowner for watershed and habitat restoration and conservation (Goal 4).
- Ensure efficient and accountable administration of all investments (Goal 5).

With the five goals in mind, principles by which Board and staff could determine new budget needs and priorities could include the following:

EXAMPLE: OWEB budget proposals for 2011-2013 will:

- Contribute to OWEB's core values and strategic goals.
- Maintain ongoing commitments to strategic initiatives that further the goals of the strategic plan.
- Maintain OWEB's ability to timely deliver and continuously improve core program services.
- Position OWEB strategically for the short- and long-term.
- Identify opportunities to improve the delivery of services through technology.
- Consider the impact of new budget proposals on OWEB program delivery structure, including local groups and agency capacity.
- Maximize opportunities to leverage other sources of funding and strong partnerships.

At the March meeting, staff will seek feedback from Board members on the suggestions above and any other ideas that help guide the development of specific budget proposals for consideration in June.

VI. Recommendation

Staff recommend the Board authorize staff to submit a placeholder legislative concept to DAS related to ecosystem services. Staff will report on the status and content of the legislative concept at the June and September Board meetings.

Attachment

A. Spending Plan

2009-2011 Biennium Non-Capital Spending Plan

Available Funding (July 1, 2009) = \$8 million*

Program Element	Sept 2009 Allocation	March 2010 Allocation	Reserve (Sept. 2009)	Total
Local Capacity: WSC & SWCD Support; Network, OACD, and training	\$2,440,454		\$0	\$2,440,454
Technical Assistance Grants (April 2009 Cycle)	\$576,610		\$0	\$576,610
Restoration Projects Non-capital (2009-2011 Biennium)	\$17,113	\$21,584	\$86,303	\$125,000
Recovery Planning	\$100,000		\$0	\$100,000
Information and Communication Needs	\$400,000		\$0	\$400,000
Oregon Plan Products	\$250,000		\$140,000	\$390,000
OP Products: Restoration/Acq. Priorities	\$180,000		\$0	\$180,000
Effectiveness Monitoring & Reporting	\$270,000		\$420,000	\$690,000
Biennial Conference, Tech Training & Outreach	\$125,000		\$0	\$125,000
SIP: Willamette Contract and Deschutes TA	\$200,000		\$0	\$200,000
Working Lands Conservation Easement Contract	\$50,000		\$0	\$50,000
Item F - Non-Capital Grant Awards (October 2009 Cycle)		\$2,256,582		\$2,256,582
Totals	\$4,609,177	\$2,278,166	\$646,303	\$7,533,646

Remaining Funding = **\$466,354****2009-2011 Biennium Capital Spending Plan**

2009-2011 Available Funding = \$46.6 million*

Program Element	Sept 2009 Allocation	January 2010 Allocation	March 2010 Allocation
Small Grant Program	\$2,800,000		
CREP	\$1,300,000		
Special Investment Partnerships	\$4,000,000		
Regular Restoration/Acquisition Grants (April 2009 Cycle)	\$7,194,590		
Whole Watersheds Restoration Initiative		\$500,000	
Gold Ray Dam (#210-2048)		\$1,000,000	
Item F - Capital Grants (October 2009 Cycle) and Staged Awards			\$10,132,527
Totals	\$15,294,590	\$1,500,000	\$10,132,527

Remaining Funding = **\$19,672,883**

*Available funding as of July 1, 2009 does not include potential decreases in Lottery funds.