

May 9, 2005

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

**SUBJECT: Agenda Item I: CREP Program Review and Funding
May 25-26, 2005 OWEB Board Meeting**

I. Background

The Oregon Conservation Reserve Enhancement Program (CREP) is a cooperative effort that began in September 1998 between the U.S. Department of Agriculture (USDA) and the State of Oregon to establish forested riparian buffers along eligible streams on agricultural lands. The Oregon CREP is available to all agricultural landowners who have eligible crop or marginal pasturelands adjacent to streams that historically or currently support fish species listed under the federal Endangered Species Act. The re-establishment of riparian habitat on agricultural lands is critical to improving water quality and fish recovery in Oregon.

In December 2004, the state-federal CREP agreement was revised and amended after nearly a year of negotiations. The new agreement expands the eligible agricultural land to be included in the Oregon CREP. The agreement also adds to the incentives by adding two new practices and increasing the state participation in incentives for in-stream water leases. A copy of the agreement is contained in Attachment A.

A. Changes to the USDA-Oregon Agreement

Eligibility has been extended to within agricultural water quality management area plans. One of the amendments is more ministerial and has no direct fiscal consequences. That change is to the wording of the goals of the program to more specifically and geographically identify priorities.

Two new practices have been made eligible for the program. These include marginal pastureland wildlife habitat buffer, and marginal pastureland wetland buffer. OWEB has agreed to add state payment for needed off-stream watering devices, and water right transactions that are a part of the CREP agreement.

II. Progress Report

The Oregon Department of Agriculture drafted the annual report to USDA as required in the agreement between USDA and Oregon. (Attachment B) The report shows increased enrollment in the program and increased stream miles enrolled. The past federal fiscal year saw the greatest annual enrollment of riparian restoration since the program began in 1998. More than 175 miles of stream were restored to riparian cover during the reporting period. Staff expect landowner interest in enrollment in the CREP program to continue to increase.

III. Issues for Board Consideration

A. Potential Changes to Program Administration

At the current time, OWEB staff have the responsibility to maintain files, process payments, and provide program oversight for CREP. The CREP program involves approximately 400 to 500 transactions during a biennium. While this is not an overwhelming workload, it is significant considering that the OWEB fiscal staff handle more than 1,000 transactions monthly. Oversight by OWEB is the responsibility of the Deputy Director. While the program has not required significant care and feeding to date, increased landowner interest in CREP has led staff to consider options to help the program effectively meet the expanded demand.

Towards that end, OWEB has begun an effort to more clearly associate the program with the state agricultural agency, the Oregon Department of Agriculture (ODA), which could create stronger institutional links for the program in the agricultural community. Conversations with the Oregon Department of Agriculture to more fully integrate the Oregon CREP with their efforts to implement SB 1010 plans are an important continuing responsibility. Discussions to date have led to the development of a revised brochure publicizing the program and providing training to ODA field staff on the program. ODA is also looking into conducting the monitoring required for the program.

B. Funding Allocation for 2005-2007 Biennium

Last biennium, the Board allocated \$800,000 in capital funds to support the CREP program and \$343,000 of non-capital funding for technical assistance, a state coordinator, and special evaluations. The capital funding is nearly expended. There will be a need to add funds to pay contracts early in the biennium. It is quite likely that contract payments would be delayed if this allocation waited until September.

Staff recommend continued investment in the program, particularly as the suggested program improvements are made. Investment of \$1 million in capital funds for the 2005-2007 biennium will likely cover the expected costs. To maintain the program momentum, additional investment of non-capital funds during the 2005-2007 biennium will be necessary to support CREP technical assistance and other functions to ensure effective program delivery.

IV. Recommendation

OWEB staff recommend the Board:

1. Direct staff to continue discussions with the Oregon Department of Agriculture and other state agencies concerning better ways to integrate the Oregon CREP efforts with ODA programs, and to bring a proposal to the September Board meeting that identifies timeframes, outcomes and potential costs for better integration.
2. Approve the expenditure of up to \$1 million in capital Measure 66 funds from the 2005-2007 biennium appropriation of "capital" funds for State CREP payments.

Attachments

- A. Amended USDA-Oregon CREP Agreement
- B. CREP Annual Report