

January 10, 2006

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

**SUBJECT: Agenda Item D: Revisiting the 2005-2007 Non-Capital Funds Spending Plan
January 24-25, 2006 OWEB Board Meeting**

I. Introduction

In this report, staff review the September Board decision to adopt a spending plan for \$4.35 million in non-capital funds appropriated to the Oregon Watershed Enhancement Board by the Legislature for the 2005-2007 biennium. This report also updates the Board on the status of Congressional actions regarding the Federal Fiscal Year 2006 appropriation of Pacific Coastal Salmon Recovery Funds (PCSRF). This information, along with other developments, will provide important context for the Board to make adjustments to the spending plan. This report is intended primarily as an information item; however, staff may recommend action on certain items that are determined to be time sensitive at the time of the Board meeting.

II. Background

A. 2005-2007 Legislatively Adopted Budget

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] available to be allocated by the Board for non-capital purposes. Non-capital funds are used for an assortment of needs that capital funds cannot support. These purposes include: technical assistance, education and outreach, monitoring and assessment, watershed council and local capacity 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 habitat, and enhancing watershed health. The criteria for use of PCSRF funds are for recovery planning or for recovery and restoration of salmon or steelhead.

B. The September 2005 Spending Plan

The distribution of non-capital funds proposed by staff at the September 2005 Board meeting identified immediate allocation priorities and reserved funds for future allocation decisions, pending further information concerning the availability of federal (PCSRF) funds. Attachment A describes the spending plan approved by the Board at the September meeting. The current spending plan does not meet all non-capital program needs. The plan was premised on the expectation that additional PCSRF funds would be available during the

biennium to help meet program needs that were insufficiently funded under the September plan.

In September, staff proposed a non-capital funds spending plan that emphasized local capacity support by targeting Board investments to support the actions of local watershed groups - watershed councils, soil and water conservation districts, and other local groups, primarily through a significant allocation of funds to technical assistance grants.

C. Status of Federal Fiscal Year 2006 PCSRF Funds

For 2006, there will be a significant reduction in funding compared with past years. Oregon, Idaho, California, and the Tribes will receive half of the funding received in FFY 2005. The Congressional conference committee agreement on the Department of Commerce budget includes \$6.5 million for Oregon with an earmark of \$1 million for mass marking at Columbia River hatcheries and \$1.04 million for the purchase of one mass marking trailer. Barring any further changes, this means there will be \$4.36 million available for Oregon. To receive these funds, OWEB must request permission from the Legislative Emergency Board to apply for and expend them. If all approvals are secured, the PCSRF funds may become available in the summer of 2006.

III. Current Status and Preliminary Recommendations

At the time of writing this report, there remains a level of uncertainty around the availability of the FFY 2006 PCSRF funds. At the same time, funding issues and needs continue to press forward. Therefore, it is important for Board members to understand recent developments that may influence adjustments to the non-capital funds spending plan. Below is a list of issues that could affect priorities within the spending plan. A number of these items will not require Board action at the January meeting. However, staff may recommend action on several items at the meeting, depending on information that may be obtained between now and the meeting.

The issues of significance are:

A. Monitoring

1. Grant Applications

At the September meeting, the Board reserved \$250,000 for the October monitoring grant solicitation. Applications for more than \$1.4 million were received, many for the continuation of ongoing projects that would be implemented over the full biennium. The amount of grant funds requested exceeded staff expectations. With only \$250,000 reserved for this grant offering there is the potential that a number of worthy projects would not be funded. Moreover, insufficient funding could affect the overall quality of monitoring projects by breaking the continuity of data gathering. On the other hand, retaining the more modest reserve for the pending monitoring grant cycle would potentially allow the Board to reserve more funds for use later in the biennium, and would allow time for staff to develop more refined guidance for the next offering.

Preliminary Staff Recommendation:

Determining whether to award more funds early or reserving the majority of funds until later in the biennium is a critical factor in deciding how much funding to commit to monitoring grant applications in the current grant cycle. Staff will propose a spending

plan for monitoring grants at the January meeting, including a suggested total to award for the pending grant cycle. However, the Board may choose to defer action on this issue until the March Board meeting.

2. State Monitoring Needs

The interagency Oregon Plan Monitoring Team (OPMT) has worked on the Oregon Plan Monitoring Strategy over the last year. Recently, the OPMT established specific linkages between monitoring conducted by agencies and unmet needs under the monitoring strategy. They have identified a group of projects that directly resulted from last year's assessment on the viability of coho salmon on the Oregon Coast. This effort and its proposed monitoring funding needs are described in Attachment B.

Staff recommendation:

Staff may propose the Board take action in January to allocate funds to meet specific parts of the state monitoring strategy. Staff do not have a specific proposal at this time as we are still discussing with the other agencies the timing needs for this funding.

OWEB will have staff from the appropriate agencies available at the meeting to discuss the planned work and to answer Board questions.

B. Capacity of Local Conservation Partners

Following the September allocation of funds to watershed councils, staff became aware that soil and water conservation districts (SWCDs) had lost part of their operations funding during the 2005-2007 legislative budget process. SWCDs remain a key local partner for implementing OWEB projects. In an effort to maintain the Board's focus on building local capacity, staff may recommend the Board consider the use of non-capital funds to assist with SWCD operations needs over the biennium at the January meeting.

In addition, conversations have begun between OWEB, the Oregon Department of Agriculture, Oregon Association of Conservation Districts (OACD), and Network of Oregon Watershed Councils intended to lead toward a strategic collaboration to maintain and build the organizational capacity for local groups. Key to this effort will be the development of shared messages that emphasize the value of local conservation efforts. Leadership from the OACD and the Network will be critical to the success of this endeavor.

Preliminary Staff recommendation:

Staff are meeting next week with representatives from ODA and OACD to determine more specifically SWCD unmet operations needs for the biennium. Based on that discussion, staff will likely propose at the January meeting the Board allocate additional funding to restore SWCD operations capacity. Staff anticipate that additional funding may also be needed to help move the Council/District collaboration forward, specifically to help the Network and OACD assume appropriate leadership roles. It is not clear at this time whether a Board funding decision will be needed at the January meeting. Staff will update the Board on this effort and potential funding needs at the upcoming meeting.

C. Education and Outreach

At the September Board meeting, there was a discussion about the appropriate level of funding for education and outreach grants. The Board concluded in September that \$200,000 was insufficient to support the October-March grant offering, which focused exclusively on

watershed knowledge development (from the OWEB Education and Outreach Strategy). Subsequently, applications for more than \$2 million were received in the current grant cycle, with a number of applications appearing to be for purposes other than knowledge development. At the September meeting, the Board allocated \$150,000 for staff to hire an in-house staff person to carry out OWEB's communications and outreach efforts. Staff are now expecting to hire a person part time to fill this need. Staff will use \$37,000 of the savings accrued from the delay in hiring this position to support the 2006 Biennial Conference. (See Agenda Item L.) Additional details on this program element are contained in Attachment C.

Preliminary Staff Recommendation:

Additional Board discussion on the level of funding desired to be reserved for the current education grant cycle will help staff prepare for the March meeting. Staff will also present ideas on how education and outreach funding for the rest of the biennium could fit into the spending plan, assuming additional federal funds will be available.

D. Watershed Assessment

Based on the September spending plan, applications were not solicited for watershed assessments in the October-March grant cycle. Staff anticipated FFY 2006 PCSRF funds would help support watershed assessment grant cycles later in the biennium. In light of the limited 2006 federal funds expected later in the year, and the significant interest in monitoring and education indicated by the current grant applications, only one watershed assessment grant offering may be advisable during this biennium.

Staff Recommendation:

No action is needed at this time. At the upcoming meeting, staff will present a revised funding scenario that will propose the amount and timing of funding a watershed assessment grant cycle.

E. Oregon Plan Products

The September spending plan reserved \$250,000 for projects and products needed to implement the Oregon Plan for Salmon and Watersheds that arise during the course of the biennium. Staff are aware of several agency projects that fit into this category. Two significant items -- the Calapooia River Hatchery Coho Research Project and the continuation of Lower Columbia fish and habitat monitoring -- are ongoing efforts that have received OWEB funding in the past. The Board received a memo from ODFW briefly describing these projects at the September meeting. The Calapooia River Coho Project is developing cutting edge data on the pedigree of hatchery fish and evaluating the effects of interbreeding with wild fish. The Lower Columbia monitoring is critical for evaluation of the population viability of Lower Columbia Coho ESU. There would be a significant loss of data and information if funding for these projects were to be discontinued. There is an understanding between OWEB and ODFW staff that these projects would be presented to the Board for potential funding early in 2006. ODFW staff will further brief the Board on these projects and others during their presentation under Agenda Item H.

Staff Recommendation:

Staff are working with ODFW and other agencies to determine the extent of agency funding needs under this category. Staff are working with the agencies to explore potential alternative funding strategies, such as the use of Measure 66 research funds. Staff will line

out the potential projects and funding sources for the Board at the meeting. At present, staff may recommend action to fund selected projects if the timing of funding is critical.

F. Local Innovation Fund

The Board reserved \$50,000 for the Local Innovation Fund (LIF), a new grant offering that focuses on finding stronger linkages between OWEB's conservation funds and local economic and community needs. The \$50,000 is to be used as seed money to further develop projects that meet OWEB's LIF criteria. Fully developed project proposals will be submitted to OWEB this summer. In September, the Board will be asked to consider allocating funds for the fully developed proposals.

Staff Recommendation:

In Agenda Item M, staff offer two options for the initial round of funding. The first option would fund four projects at \$59,020. The second option would fund an additional four projects and bring the total non-capital funding to \$100,270. Option two would require an adjustment to the spending plan. Staff have emphasized to potential grantees that the September 2006 awards will be primarily from capital funds; however, the Board may want to consider reserving additional non-capital funds for these projects.

G. Technical Assistance

Technical assistance plays a key role to develop proposals for capital funded projects by increasing the capacity of OWEB's local partners to engage in project development, planning, design, coordination, and permitting. The spending plan allocated \$500,000 for CREP, and reserved \$1.4 million for three grant cycles. Of the \$1.4 million, the Board targeted \$500,000 for the pending "early action" technical assistance grant cycle. A more detailed update on the technical assistance program element may be found in Attachment D.

Preliminary Board Recommendation:

There is a significant need for technical assistance funding to help design and implement restoration projects. However, given the diminished federal funding anticipated for 2006 and the other non-capital program needs, the Board may consider using part of the remaining \$900,000 in funds reserved for technical assistance grants as a source of funding for other non-capital needs.

IV. Conclusion

The Board has many issues to consider as it attempts to adjust the non-capital spending plan to accommodate anticipated federal funds in 2006. Staff will present a more detailed proposal to update the spending plan at the January meeting. The proposal may include requests for the Board to allocate funds for certain items.

Attachments

- A. 2005-2007 OWEB September Non-Capital Spending Plan (September 2005)
- B. Oregon Plan Monitoring Team Proposed Monitoring Needs
- C. Update on OWEB Education and Outreach Program
- D. Update on OWEB Technical Assistance Program