



Oregon

Kate Brown, Governor

Oregon Watershed Enhancement Board

775 Summer Street NE, Suite 360

Salem, OR 97301-1290

(503) 986-0178

FAX (503) 986-0199

www.oregon.gov/OWEB

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Meta Loftsgaarden, Executive Director
Renee Davis, Deputy Director

**SUBJECT: Agenda Item I: 2017-2019 Budget Development
April 26-27, 2016 Board Meeting**



I. Introduction

This report updates the Board about budget preparation for the 2017 Legislative Session and requests the Board approve a budget proposal in advance of the agency's submission of the Agency Request Budget (ARB) in June 2016.

II. Budget Preparations for the 2017 Legislative Session

The Oregon Legislature approves budgets for state agencies on a biennial basis. In preparing for the next biennium, budgets are structured so that each agency's Current Service Level (CSL, or "base") budget is recalibrated and submitted without need for specific policy description or justification. Any resources requested to be added to the base budget by agencies must be 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. All staff positions are included in Attachment A. Those positions that must be requested each biennium (called Limited Duration) are noted on the chart.

Agencies will submit their ARB to the Governor and the Department of Administrative Services (DAS) in June 2016. The Governor's Office will then develop state budget recommendations in partnership with agencies, known as the Governor's Recommended Budget (GRB), to be released in December 2016. This budget proposal may also include additional Policy Packages that reflect the Governor's priorities and initiatives. The GRB is the starting point for agency budget discussions at legislative hearings. During the legislative session, agencies may advocate for their individual Policy Packages only to the extent that they are included in the GRB.

As a part of this process, OWEB has completed the following initial steps:

1. Met internally to identify agency needs and ideas for budget requests.
2. Presented a brief summary to the Board for discussion at the January 2016 Board meeting.
3. Received budget guidance from Governor Brown regarding process (see Section III).
4. Met with the Board's Executive Committee to review the revenue forecast and seek feedback on proposals to be presented to the Board at its April meeting.

5. Met with the Governor's Office to identify any priorities that should be included in the ARB. Based on strong movement of the Governor's Working Farms and Ranches Work Group (see Attachment B), staff and the Governor's Office are recommending a Policy Package for this work be included in OWEB's budget in addition to current service needs. The proposed funding level for the Working Farms and Ranches initiative is under discussion, and an update from staff will be provided at the April 2016 Board meeting.
6. Set a meeting to share a draft of recommendations with key stakeholders including the Coalition of Oregon Land Trusts, Network of Oregon Watershed Councils and Oregon Association of Conservation Districts in advance of the Board meeting. An update of their feedback will be provided at the April 2016 Board meeting.

III. Budget Outlook

The recent economic forecast projects that the economy will continue to grow at a modest pace. Lottery revenues are expected to continue to grow as well, and Oregon's lottery forecast is outpacing national trends given new gaming options. Though revenues are anticipated to increase, they are not expected to keep up with the increasing cost of state payroll. In particular, revenues are expected to be hard-hit by the impact of the roll-back of the Public Employees Retirement System (PERS) reform implemented last biennium. Based on the size of this impact, the State has implemented a 'collaring' approach that will limit state budget impacts to five percent each biennium. It may take up to three biennia to absorb the full impact.

While it is not yet clear what the level of impact will be, DAS's Chief Financial Office has signaled revenues may not be sufficient to cover the combined CSL expenditures and PERS reform roll-backs. Impacts will not affect federal funds.

Each biennium, agencies are required to submit a report that lists ten percent reductions of current service level by priority; however, the reductions have not been taken in the past few budget cycles. This may change in the 2017-19 biennium, with the potential requirement for agencies to implement some level of reductions depending on the revenue outlook and the level of remaining ending balances from the 2015-17 biennium. However, ballot measures and ongoing revenue forecasts must also be taken into consideration as the budget is developed. So, at this time, while 10 percent cuts to CSL will need to be proposed, there is no cap on increases that can be proposed from agencies. That said, DAS is encouraging agencies to be very cautious with any proposals.

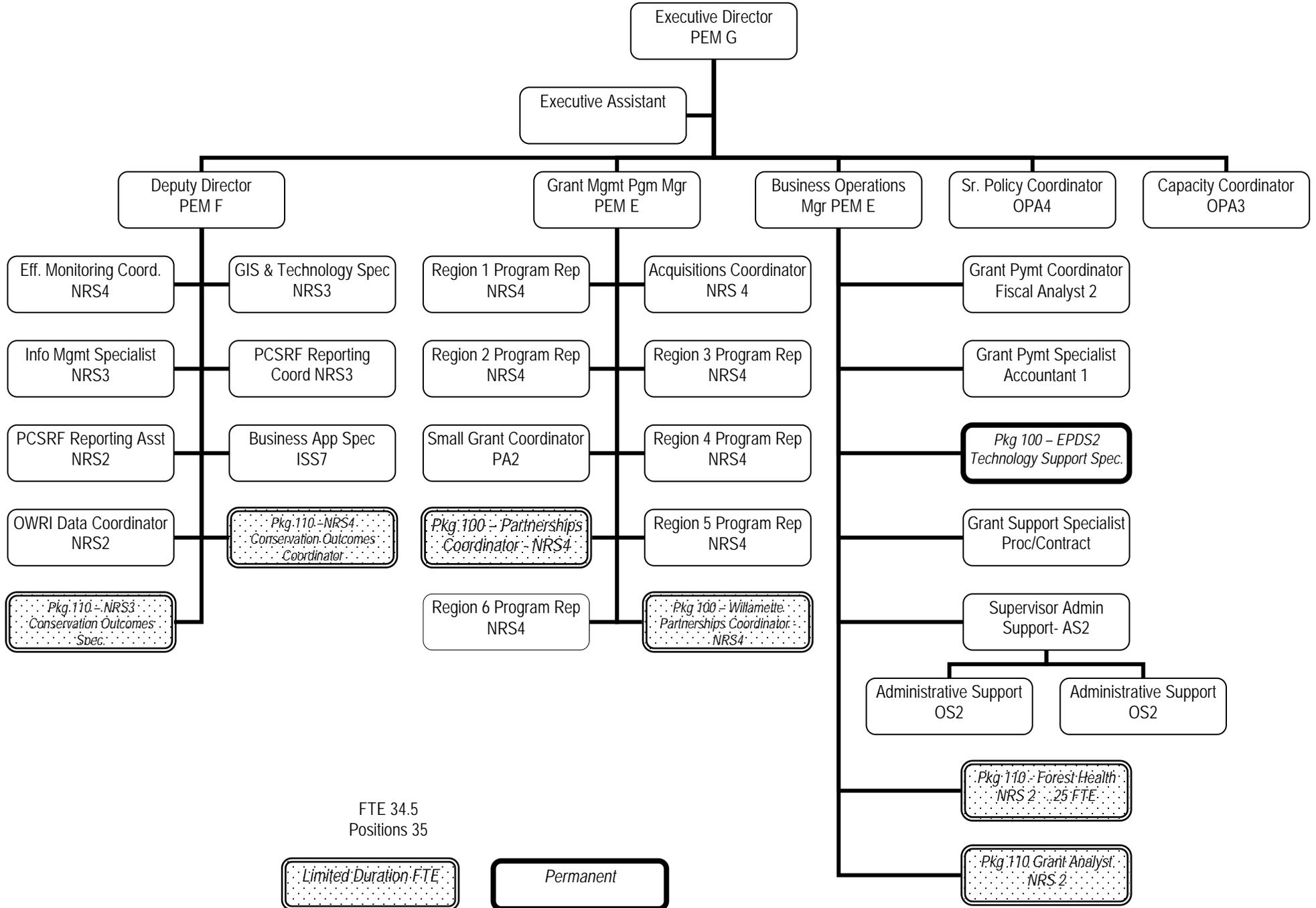
IV. Budget Recommendations

Based on the discussions identified above, direction from Governor Brown's office, and the budget outlook, OWEB's Executive Team proposes that the ARB include items outlined in Attachment C. Staff request the Board consider approval of Attachment C to this staff report, which will provide an outline the agency will use to submit its ARB.

Attachments

- A. OWEB Organizational Chart
- B. Working Farms and Ranches Work Group
- C. Proposed Budget Outline

Oregon Watershed Enhancement Board 2015-2017 Legislatively Adopted Budget





Working Farms and Ranches Work Group

Background, Purpose and Participants



Overview

Oregon's rich agricultural heritage and diverse farm and ranch lands have drawn people to the state for more than 150 years. These "working lands" are the cornerstone of the state's rural communities and provide myriad benefits to the natural environment. More than one quarter of Oregon's 63 million acres are private working lands that create agricultural production valued at \$5.4 billion—the state's second-largest economic driver.



Why is this important?

For forty years, Oregon's unique land use system has helped protect the working landscape. Even with a strong economic position and state protections, farms and ranches are increasingly challenged by rising production costs, loss of processing facilities, fragmentation through new land uses, complex regulations, and planning for generational transfers.



Governor Brown's office has convened a group to work with landowners, tribal governments, agencies and interested organizations to identify voluntary tools to **help landowners maintain working farms and ranches while providing incentives and support for conservation benefits on those lands**. The group includes staff from the Governor's office, state agencies, and representatives of the farming, ranching conservation and land trust communities.



What voluntary tools are being considered?

Enhanced tools will focus on keeping working farms and ranches 'working' - for the economy, rural communities and the environment. Tools under consideration include long-term stewardship contracts, working land easements, tax incentives, grants, loans, and regulatory assistance.

<i>Goals of Voluntary Tools</i>	<i>Topics/Tools Not Being Considered by Work Group</i>
<ul style="list-style-type: none"> • Maintain agricultural production and provide incentives for conservation on farms & ranches • Flexible; tailored to individual landowners • Balance landowner and conservation needs • Leverage federal \$\$ mostly untapped in Oregon 	<ul style="list-style-type: none"> • Land acquisition and conversion • Mandatory actions or new regulations • One-size-fits-all approaches



Work Group Actions in 2016

- Analyze available information regarding working lands trends in Oregon,
- Talk to landowners to gain first-hand knowledge of challenges they face,
- Review working lands programs and how they may apply to Oregon,
- Assess landowner interest in a range of working lands protection tools and federal funding sources
- Consult with broad group including tribal governments, state, federal and local agencies, local governments, and agricultural and conservation stakeholders to get their input
- Develop recommendations for new statewide voluntary tools that complement Oregon's land use planning program, conserving long-term agricultural productivity and healthy natural resources on Oregon's working lands



For more information about the Working Farms and Ranches Work Group, contact Lauri Aunan (lauri.aunan@oregon.gov)

**OWEB 2017-2019 Agency Request Budget
Policy Option Package Proposals**

1. Program Continuity

	Amount	FTE	OWEB Strategic Plan
<u>River Basins/Native Fish Partnership Coordinator (NRS4; Willamette Partnerships Coord. in LAB)</u> – Continues a limited duration position established in the 2011-13 biennium to manage the work associated with a federal grant from the Bonneville Power Administration (BPA). The position coordinates restoration and protection work with the Willamette Focused Investment Partnership (FIP), along with FIP investments in the Deschutes and Upper Grande Ronde basins, approved by the OWEB Board.	\$275,000	1.00	Goals 1 and 4
<u>Coast Coho/Clean Water Partnership Coordinator (NRS4; Partnerships Coord. in LAB)</u> – Continues a partnerships position focused on coordination of four current programs: the Coastal Wetlands Grant program, the Conservation Reserve Enhancement Program’s technical assistance work, the Board’s Coastal Coho Business planning efforts, and water acquisitions. The position also coordinates with Oregon Department of Agriculture’s Strategic Implementation Areas program. This position is requested to be made permanent.	\$275,000	1.00	Goals 1 and 4
<u>Office Rent</u> – This requests office rent for OWEB field staff in Region 1 to share office space with staff from the Department of Forestry in Toledo.	\$7,200	N/A	Goals 1, 3 and 5
<u>Administrative Support (OS1; Grant Analyst in LAB)</u> – Continues a limited duration position that provides a variety of office support for all agency program sections, including processing mail, general filing, scanning files and reports, answering and routing phone calls, scheduling meetings and organizing logistics, taking meeting notes, assembling board materials, and data entry. The position will serve as part of a support team for agency administrative support functions, able to provide backup for other support staff when they are on leave or traveling for the agency.	\$150,000	1.00	Goals 1, 2 and 5
<u>Conservation Outcomes Coordinator (NRS4)</u> – Continues a limited duration position that leads OWEB’s program to measure and report on the ecological, economic and social outcomes resulting from OWEB grant investments at the landscape level. The position coordinates with other state and federal agencies to determine priorities and carry out implementation efforts of the Clean Water Partnership, along with the Conservation Effectiveness Partnership and other similar initiatives. The position also works with other agencies and local stakeholders to develop conservation outcome metrics, coordinate monitoring and data and ecosystem evaluation methods, and report results at the landscape level and statewide scales.	\$250,000	1.00	Goals 1 and 3

<p><u>Conservation Outcomes Specialist (NRS3)</u> – Continues a limited duration position to implement aspects of OWEB’s program to measure and report on ecological, economic and social outcomes resulting from OWEB grant investments at the landscape level. This position has a specific focus on measuring and reporting on salmon habitat and recovery activities across the state.</p>	<p>\$225,000</p>	<p>1.00</p>	<p>Goals 1 and 3</p>
<p><u>Contracted Services</u> – OWEB Measure 76 grant funds are not eligible to use for contracting. There are certain work products and functions OWEB needs carried out that are most efficiently and effectively accomplished through personal services contracts. OWEB needs to ensure it has adequate funds available for contracting purposes next biennium. These funds will be used in lieu of hiring additional staff to provide training for effective watershed restoration and conservation; continuous improvement in program delivery; and long-term protection implementation (e.g., title and appraisal reviews, etc.).</p>	<p>\$100,000</p>	<p>N/A</p>	<p>Goal 1-5</p>

2. Program Enhancement

	Amount	FTE	OWEB Strategic Plan
<p><u>Supplemental Contracted Services</u> – This request supplements the contracted services included in the Program Continuity Package. OWEB Measure 76 grant funds are not eligible to use for contracting. There are certain work products and functions OWEB needs carried out that are most efficiently and effectively accomplished through personal services contracts, for which OWEB has requested funds in the Program Continuity Package. However, that request does not fulfill all of the contracting needs for the agency. These supplemental funds will be used in lieu of hiring additional staff for activities such as effectiveness monitoring and analysis of economic outcomes of the agency’s investments.</p>	<p>\$100,000</p>	<p>N/A</p>	<p>Goal 1-5</p>

3. Working Farms and Ranches

	Amount	FTE	OWEB Strategic Plan
<p>This request is for voluntary tools that help farmers and ranchers maintain land as active farms and ranches while providing incentives and support for conservation on those lands. Legislative concepts will be developed over the summer, and may include funding for land-based (working land easement and long-term contracts) as well as succession and estate planning tools. The request includes associated staff costs to design and implement the program.</p>	<p>\$4,000,000</p>	<p>TBD</p>	<p>Goals 1 and 4</p>

4. Carry Forward

	Amount	FTE	OWEB Strategic Plan
This policy package proposes to extend expenditure limitation for non-lottery fund grants that have been awarded and continue to be active. This will allow funds for these grants to be expended in the 2017-2019 biennium.	TBD	N/A	Goals 1-5

5. Lottery Funds – Measure 76 Grant Funds

	Amount	FTE	OWEB Strategic Plan
This policy package provides the budget vehicle for Measure 76 grant funds, which are the primary source of grant funds for OWEB and are used to support a wide variety of grants, including watershed council and soil and water conservation district capacity, restoration, acquisition, technical assistance, monitoring and outreach.	TBD	N/A	Goals 1-5

6. Additional Grant Funds

	Amount	FTE	OWEB Strategic Plan
This policy package would allow OWEB to receive and expend as grants for 1) collaboratives under the State’s Federal Forest Health Program, and 2) Rangeland Wildfire Threat Reduction, should this service be requested and if additional funds be appropriated by the Legislature for these purposes in 2017-2019.	TBD	N/A	Goals 1-5

OWEB Strategic Plan Goals

- 1. Adaptive Investment** – Restore and sustain resilient ecosystems through investments that enhance watershed functions and support community needs
- 2. Local Infrastructure Development** – Support an enduring, high-capacity local infrastructure for conducting watershed and habitat restoration and conservation
- 3. Public Awareness and Involvement** – Provide information to help Oregonians understand the need for and engage in activities that support healthy watersheds
- 4. Partnership Development** – Build and maintain strong partnerships with local, state, tribal and federal agencies, nonprofit organizations and private landowners for watershed and habitat restoration and conservation
- 5. Efficient and Accountable Administration** – Ensure efficient and accountable administration of all investments