

Oregon Watershed Enhancement Board (OWEB)

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	161,750	--	--	--	--
Lottery Funds	79,589,459	90,535,226	90,857,290	77,321,533	76,371,684
Other Funds	2,023,581	3,070,646	19,070,646	2,263,984	14,863,984
Federal Funds	27,968,015	45,304,270	45,427,240	32,677,681	48,011,159
Total Funds	109,742,805	138,910,142	155,355,176	112,263,198	139,246,827
Positions	33	34	34	32	32
FTE	33.00	34.00	34.00	32.00	32.00

* Includes Emergency Board and administrative actions through January 2021.

Program Description

OWEB was established in 1999 by the legislation implementing Ballot Measure 66, which established the framework for the full allocation of the measure's constitutionally dedicated lottery revenue. Ballot Measure 66, passed by the voters in November 1998, amended the Oregon Constitution to dedicate 15% of net lottery proceeds split between 50% to state parks and 50% to salmon, watershed, and habitat restoration. Ballot Measure 66 was replaced by Ballot Measure 76, which passed in November 2010, and reauthorized the dedication percentages. The Ballot Measure 76 reauthorization changed the way the dedicated Lottery Funds could be spent. Previously, lottery revenues were divided into two parts, 65% for capital expenditures and 35% for operational expenditures, with state agencies eligible to receive Lottery Funds from either category. Under Ballot Measure 76, 65% is now restricted to grants to non-state agencies. Only the 35% for operations can be used to directly support state agency programs.

OWEB is designated as the single state agency charged with administration of the salmon and watershed portion of the dedicated lottery revenues required under the state constitution. OWEB consists of 11 voting members, including five voting members from state natural resource agency boards and commissions and six public members appointed by the Governor and confirmed by the Senate. OWEB distributes funding for projects, offers technical assistance on grant proposals, and coordinates with other state natural resource agencies

CSL Summary and Issues

Revenues - Closure of bars and restaurants due to the pandemic had a significant impact on lottery revenues in 2019-21. While 2021-23 distributions to the Parks and Natural Resources Fund are projected to increase 18% over 2019-21 distributions based on the December 2020 Revenue Forecast, they are only projected to increase by 3.6% over the pre-pandemic 2019-21 Close of Session forecast.

Operations - The current M76 Operations projected revenue for 2021-23 is insufficient to fully fund all agency M76 Ops CSL costs as of the December 2020 Lottery forecast. This is largely due to revenue growth not matching the growth in costs, especially personnel costs. Because of this OWEB, had to include a Package 70 Revenue Reductions/Shortfall which eliminates three positions and \$1.1M Lottery Funds. Some, but not all, of these reductions are restored in the Governor's Budget.

Grants - Based on the December 2020 lottery forecast, there will be \$68.5 million in new revenue dedicated to grants in the 2021-23 biennium.

Policy Issues

Oregon Agricultural Heritage Program - HB 3249 (2017) established the Oregon Agricultural Heritage Commission and the Oregon Agricultural Heritage Fund. Oregon Agricultural Heritage Program (OAHP) is designed to establish grant programs and other tools to benefit owners of working land for succession planning, conservation management planning, covenants and easements. \$190,000 General Fund was appropriated to OWEB, on a one-time basis during the 2017-19 biennium, to staff the commission and setup the grants program. There was no additional money approved for making grants in the 2017-19 biennium. The \$190,000 General Fund was phased-out and was not included in 2019-21 CSL. No monies have been approved to date for OAHP during the 2019-21 biennium, and the Commission continued with minimal activity.

The Governor's budget proposes adding \$5 million in Other Funds expenditure limitation for the OAHP to make grants during the 2021-23 biennium. No specific source of funding for this expenditure limitation was identified by the Governor's budget. No funding is proposed for the operational costs of running an OAHP grant program. This is problematic in that OWEB operations are largely supported by constitutionally dedicated lottery funds. Some of the statutorily established OAHP programs are not eligible uses of these constitutionally dedicated funds. Therefore, the Legislative Fiscal Office believes use of M76 Operations dollars to support any work of OAHP involving activities that do not qualify for constitutionally dedicated M76 funding would likely be deemed unconstitutional and flagged during an audit.

Other Significant Issues and Background

Governor's Budget - State-wide reductions to Services and Supplies, increased assumed vacancy savings, and costs for consolidation of Microsoft 365 licenses totaled \$343,986 Lottery Funds and \$107,870 Federal Funds.

The Governor's Budget restored only one of the three positions eliminated in Package 70 and only \$151,573 of the \$1,095,037 Lottery Funds that were eliminated. Instead, the Governor's Budget added one new position and \$326,653 Lottery Funds to work on the Governor's Water Vision and Climate Change initiatives.

One federally funded position was added to the National Resource Conservation Service tide gate program, which is supported with \$297,174 Federal Funds. This position would serve as a resource for tide gate owners and others who are considering replacing tide gates.

Key Performance Measures

A copy of the Oregon Watershed Enhancement Board Annual Performance Progress Report can be found on the LFO website.

https://www.oregonlegislature.gov/lfo/APPR/APPR_OWEB_2020.pdf