

2025-27 Budget Review

Oregon Watershed Enhancement Board

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	29,218,032	40,770,232	-	8,967,700
Lottery Funds	93,945,955	116,197,727	119,644,452	119,966,991
Other Funds	2,262,698	45,819,445	4,050,459	43,533,391
Federal Funds	34,926,210	56,787,165	36,831,423	61,591,577
Total Funds	160,352,895	259,574,569	160,526,334	234,059,659
Positions	46	49	33	49
FTE	42.58	45.91	33.00	48.50

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The mission of the Oregon Watershed Enhancement Board (OWEB) is to help protect and restore healthy watersheds and natural habitats, which in turn support thriving communities and strong economies throughout the state. OWEB delivers this mission through administration of grant programs and environmental restoration funds. OWEB programs enable partner organizations to implement voluntary conservation actions to improve Oregon’s overall watershed health and provide habitat restoration.

The agency offers grant and fiscal administration services that vary depending on the fund source and customer needs. The agency administers Lottery Funds, General Fund, Federal Funds, and Other Funds as part of its 47 distinct grant programs. OWEB also provides fiscal agent services, transferring funds to other state agencies and partners for certain legislatively established Treasury accounts.

OWEB’s grantmaking is led by the 18-member OWEB board. The Board is responsible for developing and tracking the agency’s spending plan for grant awards, approving grants awarded by OWEB, and providing policy direction for the agency.

OWEB is divided into two budgetary programs: Operations and Grants. The Operations program includes all agency staff as well as the supporting services and supplies. Staff in the Operations program support the functions of the agency, in addition to the agency’s Board, Oregon Agricultural Heritage Commission, and Environmental Restoration Council. The Grants program does not contain any positions; it is exclusively for budgeting and reporting grant funds administered by OWEB. The program supports grants for activities including watershed restoration; farm and rangeland protection; natural climate solutions; and land acquisitions for drinking water source protection. Once the Environmental Restoration Council establishes a long-term distribution policy, as per SB 1561 (2024), this program will

also include fund transfers to state agencies and tribes, as well as grantmaking funds, associated with the distribution of the Monsanto settlement agreement proceeds.

OWEB's 2023-25 legislatively approved budget (LAB) is funded with General Fund (15%), Lottery Funds (45%), Other Funds (18%), and Federal Funds (22%) revenues. Lottery Funds are received through the constitutionally dedicated allocation of 7.5% of net lottery proceeds for the restoration and protection of natural resources, as directed under Ballot Measure 76. The lottery proceeds are deposited into OWEB's Restoration and Protection subaccount for the public purpose of financing the restoration and protection of native salmonids, watersheds, habitats and water quality in Oregon. These funds are then divided into distributions of 70% for the Watershed Conservation Grant Fund, and 30% for the Watershed Conservation Operating Fund. Grant funds are allocated by OWEB's Board, and operational funds are allocated to five state agencies, including OWEB, for agency operations.

In OWEB's 2023-25 LAB, Other Funds revenues are derived largely from a salmon license plate registration surcharge; the Pacific States Marine Fisheries Commission; PacifiCorp - for water quality improvement grants in the Upper Klamath Basin; and the Oregon Department of Forestry for Forest Health Collaborative grants. Additionally, Other Funds expenditure limitation has been granted to expend General Fund investments deposited into statutorily established funds, including the Oregon Agricultural Heritage Fund, Natural and Working Lands Fund, and Community Drinking Water Enhancement and Protection Fund. In addition to the General Fund provided for deposit into these funds, General Fund was also provided in the 2023-25 LAB for the continuity of post-fire recovery and drought relief grants, as well as the administration of these programs.

OWEB's primary source of Federal Funds revenue comes from the Pacific Coastal Salmon Recovery Fund (PCSRF). This includes over \$40 million in Infrastructure Investment and Jobs Act funding for Federal Fiscal Years 2023 and 2024. These funds are awarded to OWEB for distribution as the representative of the state in support of salmon recovery activities. OWEB receives 3% for administration of the PCSRF grants and the remaining funds are dedicated to conservation grants and salmon recovery work at the Oregon Department of Fish and Wildlife. Additional Federal Funds are received from the U.S. Fish and Wildlife Service for coastal wetland conservation; from the Natural Resource Conservation Service for Farm Bill grants and technical assistance; and from the Bureau of Land Management for aquatic restoration projects and Good Neighbor Authority grants. Beginning in the 2021-2023 biennium, OWEB successfully negotiated with federal partners for inclusion of an indirect rate in all grant applications to provide funding for staff and other administrative costs.

BUDGET ENVIRONMENT

OWEB has been recognized as a state agency especially capable of standing up new programs and delivering organized and effective grantmaking. Over the past few biennia, the small agency's budget has grown significantly. From the 2019-21 biennium to the 2023-25 biennium, OWEB's LAB has grown by 67%; largely driven by increases in General Fund and Other Funds expenditure limitation. The agency has been called upon to contribute to the state's natural resources enterprise as a responsible partner for a variety of grant programs, many of which are intended as one-time investments. OWEB has responded to requests from customers, the Governor's Office, and the Legislature to take on new responsibilities as a grant administrator or fiscal agent. This has led to growth and diversification in

revenue sources, grants, and services offered. Today, the agency's ability to meet grantee and partner needs depends heavily on limited duration positions, many of which do not have an identified source of funding beyond the 2023-25 biennium - even though the workload will extend into the 2025-27 biennium. Currently, 16 out of 49 legislatively approved positions, or 33% of the agency staff, are in limited duration positions. While OWEB strives to maintain its reputation for dependable and effective program delivery, they also seek more permanent staffing to oversee programs, especially in fiscal operations and project management. The process of onboarding and offboarding one-third of the agency, is difficult given the small number of permanent staff in the agency. The hiring and retention of talent with limited duration positions is frequently a challenge that can be exhausting to small organizations. Given the relatively recent rise in one-time programs established in OWEB, and associated limited duration positions, the agency is especially mindful of challenges to workforce management. Effective workforce management depends on effective, strategic workforce planning. Workforce planning is a continuous process of identifying and closing gaps between the skills an organization requires and the available supply. However, the continuous process of effective workforce management and planning is largely dependent on sustainable position funding.

CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) budget for OWEB totals over \$160.5 million and supports 33 positions (33.00 FTE). This represents a decrease of more than \$99 million total funds, or 62% from the Department's 2023-25 legislatively approved budget (LAB). This decrease is largely the net result of phasing-in \$108 million Lottery Funds as the estimated deposit into the Watershed Conservation Grant Fund; and phasing-out one-time investments included in the 2023-25 LAB, totaling over \$207 million. Phase-outs include \$23 million General Fund for one-time emergency programs, including wildfire and drought assistance; \$10 million General Fund for the Natural and Working Lands Fund; \$5 million General Fund for the Oregon Agricultural Heritage Program; \$1 million General Fund for drinking water source protection; \$106 million in Lottery Funds for capital construction grants delivered; \$40 million in Other Funds expenditure limitation carryforward; and \$21 million in Federal Funds expenditure limitation carryforward for grants delivered. Reductions at CSL are somewhat offset by inflation on goods and services, totaling nearly \$3 million. This includes approximately \$1 million in Federal Funds expenditure limitation for exceptional inflation on the PCSRF payment to the Oregon Department of Fish and Wildlife for personal services costs, above standard inflation.

The agency's CSL also includes a package containing technical adjustments to correct the budgeted compensation of two permanent positions. The Executive Director and OWEB's Administrative Assistant were both in the recruitment process at the time the statewide position system captured compensation amounts for the 2025-27 biennium. Vacant positions automatically default to step 3 of the compensation scale; however, hiring negotiations were underway for one position, and an offer had been made on the other. The package aligns the recently hired positions to their current compensation step. Normally, technical adjustment packages net zero by fund type. As an exception, the Department of Administrative Services approved a Package 60 increasing Lottery Funds by \$76,817 and Other Funds expenditure limitation by \$95,679.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget includes \$234 million total funds, comprised of approximately \$9 million General Fund, \$120 million Lottery Funds, \$44 million Other Funds expenditure limitation, \$62 million Federal Funds expenditure limitation, and 49 positions (48.50 FTE). The total funds budget represents an increase of approximately \$74 million, or 46%, above CSL, and includes 16 additional positions (15.50 FTE), representing a staffing increase of 48.5% above CSL. The Governor's budget recommends a total of 15 policy packages which increase the budget across all fund types; including nearly \$9 million General Fund; \$322,539 in Lottery Funds; over \$39 million in Other Funds; and nearly \$25 million in Federal Funds expenditure limitation. The Governor's budget continues investments in the Oregon Agricultural Heritage Program (OAHP) and the Natural and Working Lands Fund (NWLF), as well as support for the Drinking Water Source Protection Program. Additional details for major package investments, reductions and adjustments follow:

- Packages 090, 092, and 093 - These packages are added by the Department of Administrative Services, Chief Financial Office, as technical adjustments, Attorney General rate adjustments, and statewide service charge adjustments, respectively. Collectively, they extend two limited duration positions for the full 2025-27 biennium, adding 1.00 FTE; establish two limited duration positions (2.00 FTE) for the NWLF program and the Drinking Water Source Protection Program; include one-time appropriations of \$5 million General Fund for the NWLF and \$2 million General Fund for OAHP; reduce Attorney General rates by 7.5%, for a total reduction of \$39,897; and reduce statewide charges and assessments by \$53,300 Lottery Funds.
- Package 100 - Acquisition and Special Program Manager - This package requests \$407,700 General Fund and \$101,300 Lottery Fund for the conversion of one limited duration management position to a permanent position (1.00 FTE). This position would lead all land and water acquisitions, as well as stewardship work at OWEB. The package includes expenditures for associated services and supplies.
- Package 101 - Core Grant Program Staffing Capacity - This package requests \$286,813 Lottery Funds for establishment of one new permanent partnership coordinator (1.00 FTE), as well as services and supplies, to support OWEB's core grant making programs.
- Package 105 - Oregon Agricultural Heritage Program Staffing Continuity - This package requests \$455,555 in Other Funds expenditure limitation for the continuation of two OAHP positions (1.00 FTE) as well as services and supplies. The staff is needed through the end of the 2025-27 biennium to administer program grants funded during the 2024 legislative session. The request includes only one year to align with the available ending balance. An additional \$565,000 General Fund is needed to cover costs for the second year of the biennium, including services and supplies, such as Department of Justice and contracting costs. This additional funding is provided for in Package 90.
- Package 106 - Water Acquisition Staffing Continuity - This package requests \$745,000 in Other Funds expenditure limitation to convert two limited duration positions to permanent positions (2.00 FTE) to administer water acquisition grants and other agency administration.
- Packages 107 and 108 - Environmental Restoration Council Staffing - Collectively, these packages request \$1.3 million in Other Funds expenditure limitation, supported by revenues in the Oregon Environmental Restoration Fund, to continue two limited duration positions (1.50 FTE)

established in the 2023-25 biennium, establish two new limited duration positions (2.00 FTE) and one new permanent position (1.00 FTE). The positions, as well as the requested services and supplies, are needed to develop and administer the activities associated with the Oregon Environmental Restoration Council and Fund, as per SB 1561 (2024).

- Package 200 and 201 - Grant Continuity and Additional Limitation - Collectively, these packages request \$30 million Other Funds and \$14 million Federal Funds expenditure limitation to carry forward unspent expenditure limitation related to grants awarded in the 2023-25 biennium which have not yet been disbursed. Additionally, \$10 million in Federal Funds expenditure limitation is requested for other federal opportunities OWEB intends to pursue in the 2025-27 biennium.

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_2024-09-25.pdf

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