



Oregon

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May 11, 2010

MEMORANDUM

TO: *Oregon Watershed Enhancement Board*

FROM: Lauri Aunan, Grant Program Manager
Courtney Shaff, Grant Program Coordinator

SUBJECT: **Agenda Item I: 2011-2013 Watershed Council Support
June 2-3, 2010 OWEB Board Meeting**

I. Introduction

This report presents recommendations related to policy changes for new applicants and solo funding requests for the 2011-2013 Watershed Council Support grant cycle.

II. Background

A. Statute and Rules

By statute, “watershed council” means a voluntary local organization, designated by a local government to address the goal of sustaining natural resource and watershed protection, restoration and enhancement [ORS 541.351(15)]. Support for council capacity is specifically identified in Oregon statute:

In carrying out the watershed enhancement program, OWEB shall “grant funds for the support of watershed councils in assessing watershed conditions, developing action plans, implementing projects and monitoring results...from such moneys as may be available to the board therefor.” ORS 541.370(1)(e)

“The Oregon Watershed Enhancement Board may work cooperatively with any local watershed council that may be formed. Requests from local watershed councils for state assistance shall be evaluated on the basis of whether the requesting organization reflects the interests of the affected watershed and the potential to protect and enhance the quality of the watershed in question.” ORS 541.388(1)

Under OWEB’s administrative rules, “watershed council support” grants support the capacity of a watershed council or group of watershed councils to conduct activities necessary for the watershed protection, enhancement, and restoration work of the council(s). This support may include coordinator salary and benefits, operating costs, risk management and accountability assurance, and fiscal grant management costs.

OWEB has also defined watershed council eligibility by rule; OAR 695-040-0030 states:

(1) A watershed council, or a group of watershed councils, is eligible to apply for Watershed Council Support if:

(a) The council serves a unique geographic area. A unique geographic area is one that is not or has not been located entirely or partially within the boundaries of another existing watershed council support grantee that has received council support funding from OWEB;

(A) In the situation where a watershed council has been awarded shared funding for watershed council support, but serves a watershed area that is not served by another watershed council, that council may be eligible to apply independently if it receives prior approval from the Board.

(b) Council membership reflects the balance of interests or is actively seeking a balance of interests in the affected watershed as defined in ORS 541.388(2); and,

(c) The council has been designated by a local government as provided by ORS 541.388. This eligibility criterion applies if the council formed after September 9, 1995.

Watershed council support grant applications are submitted every two years. Applications are evaluated for merit based on criteria and processes in OWEB's rules, and funding is awarded based on factors in OWEB's rules. Grant awards cover the two years coinciding with OWEB's biennial state budget (e.g., July 1, 2009 – June 30, 2011). The next council support grant application deadline is January 24, 2011, with grant awards planned for June 2011.

B. OWEB Strategic Plan and Listening Sessions

During the summer and fall of 2009, the OWEB Board developed a Strategic Plan, which was adopted in January 2010. Goal 2 of the Strategic Plan is to "Support an enduring, high capacity local infrastructure for conducting watershed restoration and conservation." Strategy 2 under Goal 2 is to "Evaluate and adjust watershed council support grant review and funding processes to build local capacity, provide base funding and promote strategic partnerships."

OWEB began addressing Goal 2 by holding six Watershed Council Listening Sessions around the state. The Listening Sessions were organized to get feedback from councils to inform OWEB staff and Board members in developing actions to implement Goal 2. The Agenda Item C-4 staff report outlines OWEB's follow-up steps arising from the Listening Sessions.

III. 2011-2013 Council Support Grant Cycle

Attachment A contains a flowchart for the 2011-2013 Watershed Council Support grant evaluation process.

A. Watershed Council Support and Listening Session Follow Up Schedule

June 2-3, 2010	Board meeting. Action on recommended policy changes for new applicants and requests for solo funding. Submit Listening Session Report.
July 2010	Board Council Support Subcommittee meeting. Listening session follow up: <u>draft</u> watershed council support program principles.
Sept. 14-15, 2010	Board meeting. Update on watershed council support program principles.

Nov. 15-17, 2010	OWEB's Biennial Conference. Continue Listening Session follow up with OWEB Board/staff/council discussion about <u>draft</u> watershed council support program principles. Workshops with councils on filling out the council support application.
Jan. 18, 2011	Council support applications due to OWEB. Listening Session follow up.
March 2011	Council Support Advisory Committee evaluation of applications. Listening Session follow up.
April 2011	Subcommittee meeting. Discuss 2011-2013 cycle merit ranking and funding alternatives. Listening Session follow up.
May 2011	Subcommittee meeting. Develop funding recommendations for full Board award; review applicant comment letters. Listening Session follow up.
June 7-8, 2011	Board meeting; award of 2011-2013 council support grants.
July – Dec. 2011	Continue Listening Session follow up. For example, if OWEB wants to change council support grant rules, we would need to convene a Rules Advisory Committee during the summer/fall of 2011, and start official rulemaking in January 2012, for adoption of rules in June 2012 before the 2013-2015 council support cycle.

B. 2011-2013 Application, Review Process, and Reporting Improvements

During the Listening Sessions, councils frequently asked OWEB not to significantly change the watershed council support application for the 2011-2013 cycle. At the same time, councils acknowledged that the application is time-consuming and complex to fill out, and might not provide reviewers with clear enough information about the councils' work.

For the 2011-2013 cycle, OWEB is working with a Watershed Council Support Work Group to improve – but not make significant changes to – the application, review process, and reporting requirements. The Work Group is made up of watershed council coordinators, council support application reviewers, and OWEB staff (see list in Attachment B). The goals of the Work Group are to make the application easier and quicker to fill out and review, and ensure that key information is more clearly communicated to reviewers without losing information needed for the merit evaluation.

The Work Group started meeting in March and should wrap up its work in June. Currently, the Work Group is:

- Revising the evaluation sheet to ensure applicants get credit for multi-year projects.
- Providing easier to understand instructions for umbrella and multiple council applicants to make the application easier to fill out and easier for reviewers to evaluate.
- Reducing the number of narrative questions in the application so applicants can provide more detailed information on fewer questions.
- Simplifying the budget application page.
- Simplifying reporting requirements.
- Exploring the suggestion to provide time in the review process for applicants to meet with the council support reviewers.

OWEB also heard during the Listening Sessions that we need to improve our communication around council support, including how the evaluation process works, eligibility criteria, the makeup of the review team. Staff's goal will be to provide information and communication about council support through email and the OWEB web site, as early as we can, with regular updates and reminders.

IV. OWEB Policy for New Applicants and Requests for Solo Funding for the 2011-2013 Council Support Cycle

A. New Applicants

A "new applicant" is a council that has not previously applied for, or been awarded, council support funds. In 2003, the Board adopted a funding principle to limit awards for new watershed council applicants to \$37,500, regardless of merit. This amount was based on the estimated cost for a council to employ a part-time council coordinator (at that time, staff estimated that full-time coordinator salary for the biennium cost \$75,000).

OWEB received applications from two new applicants during the 2009-2011 council support cycle. There was also uncertainty about whether OWEB would be able to fund councils at the \$6 million level provided in 2007-2009. If funding were limited to \$5 million, the Board Subcommittee did not want to thin the soup by adding two new applicants. Initially, the Board denied funding for the two new applicants under OAR 695-040-0060(4), which states that grant awards will be based on four factors:

- (a) An applicant's merit category.
- (b) Whether the applicant is an umbrella watershed council as defined in OAR 695-040-0020(4).
- (c) Whether the applicant is two or more watershed councils serving unique geographic areas in a single Watershed Council Support grant where the application demonstrates operational economies of scale over two separate grant applications.¹
- (d) Available funding. (emphasis added)

After OWEB's budget was adopted by the Legislature and OWEB developed a spending plan to fund councils at the \$6 million level, the Subcommittee and staff recommended, and the full Board approved, funding for the two new councils at \$37,500. At that time the Board also asked staff to explore whether there should be a moratorium on funding new councils for 2011-2013.

Staff are aware of two recently formed new councils in Region 3 (North Clackamas and Lake Oswego) that have received local government recognition and are in geographic areas not served by other councils. In addition, the Pudding River WSC, who was previously funded by OWEB, but did not apply in 2009, is likely to apply in 2011-2013. It is possible that OWEB could receive at least 66 council support applications for 2011-2013. The table below shows the number of new and total applicants per biennia since 2003.

¹ Note: staff have consistently recommended not providing additional funding to councils under this rule; in 2005, staff recommended the need to clarify this rule or repeal it.

New Applicant History

Biennium	New Applicants	Total Councils
2003-2005	4	57
2005-2007*	1	57
2007-2009	0	60
2009-2011	2	63

**One council combined with another in 2005-2007 leaving the number of applicants at 57 despite having one new applicant.*

During the Listening Sessions, it was clear there is no consensus among councils regarding funding for new applicants. Some councils think OWEB should fund all councils; others think there should be a cap on the number of councils funded; others think there should be a size or population requirement for OWEB funding. At the same time, there was significant feedback that OWEB needs to make hard decisions in the near term, and should not continue to “thin the soup” without addressing key council support policy questions.

OWEB’s rules state that a watershed council can apply if it meets the eligibility requirements; OWEB has accepted all applications that meet those requirements. All eligible applications have also been evaluated on merit. The Board has funding discretion based on *available funding*. During the 2009 Board discussions about funding new applicants, some Board members were concerned that OWEB was relying solely on the “available funding” criteria without providing enough notice to applicants. It was a difficult discussion and decision for the Subcommittee and Board.

B. Requests for Board Approval of Solo Funding

Under OAR 695-040-0030, if a watershed council has been awarded shared funding for watershed council support, but serves a watershed area that is not served by another watershed council, that council may be eligible to apply independently if it receives prior approval from the Board.

OWEB has required councils to address the following criteria in their solo funding requests to the Board.

- The council represents unique ecological or social conditions that are significantly different from that of its funding partners.
- Solo funding would result in a significant improvement of service to the watershed and its residents compared to the level of service possible under the present funding arrangement.
- There is widespread and broad-spectrum community awareness of and support for the change.
- The split-off will not result in significant detrimental effects to previous funding partners.

The table below shows the history of solo funding requests for the past two biennia.

Solo Funding History Using Above Criteria

Biennium	Requests	Granted	Results	Total Councils
2007-2009	2	2	2 additional councils	60
2009-2011	4	1	2 additional councils	63*

**One previously funded watershed council did not apply; two new applicants were funded*

There is interest by at least two councils to seek Board approval for solo funding. In addition, there are at least six other councils that could request solo funding because they currently receive shared council support funding, but serve areas that are not served by other watershed councils.

During the Listening Sessions, it was clear there is no consensus among councils about OWEB’s policy on solo funding, although it was noted that OWEB’s funding is a disincentive to creating coordinating council umbrellas since councils can receive more funding by applying individually. At the same time, there was significant feedback that OWEB needs to make hard decisions in the near term and should not continue to “thin the soup” without addressing key council support policy questions.

C. Policy Recommendations

OWEB has begun to implement Goal 2, Strategy 2 of its newly adopted Strategic Plan. As described in the Director’s Update Item C-4 on the Watershed Council Listening Sessions, OWEB is committed to developing long-term council support program principles that will form the basis for potential funding and rule changes for the 2013-2015 council support grant cycle.

The state budget (including, for the first time, Lottery revenues) faces significant revenue shortfalls for the 2011-2013 biennium, resulting in OWEB budget uncertainty and the likelihood of limited council support funding.

Based on these factors, staff recommend the following changes to Board policy for the 2011-2013 biennium only. The recommendations are based on the expectation that the Board and staff will address key council support policy questions before the 2013-2015 council support funding cycle.

1. Recommended New Applicant Policy

Based on OWEB’s eligibility rules, OWEB cannot refuse to accept an application for council support funding if the application meets the eligibility requirements. However, the Board has the discretion to make no award based on “available funding.” OWEB has provided council support funding in the past two biennia to achieve an award average of approximately \$100,000 per council (recognizing that actual individual awards vary based on merit category and umbrella council bonuses). For the 2011-2013 council support grant cycle, staff recommend that the Board give notice to councils that we expect the 2011-2013 budget to be constrained, and that if the level of available funding does not support an average award of \$100,000 per council, the Board will not fund new applicants. As an example, if OWEB received 65 eligible applications, the total amount

of funding available would need to meet or exceed \$6.5 million for new applicants to be awarded council support funding.

2. Recommended Policy on Requests for Solo Funding

OWEB's rules give the Board broad discretion to decide whether to entertain or approve requests for solo funding. For the 2011-2013 council support grant cycle, staff recommend that the Board give notice to councils that it will not accept requests for solo funding. This hiatus will allow staff and Board to concentrate on developing council support program principles that will form the basis for potential funding and rule changes.

V. Recommendation

Staff recommend the Board:

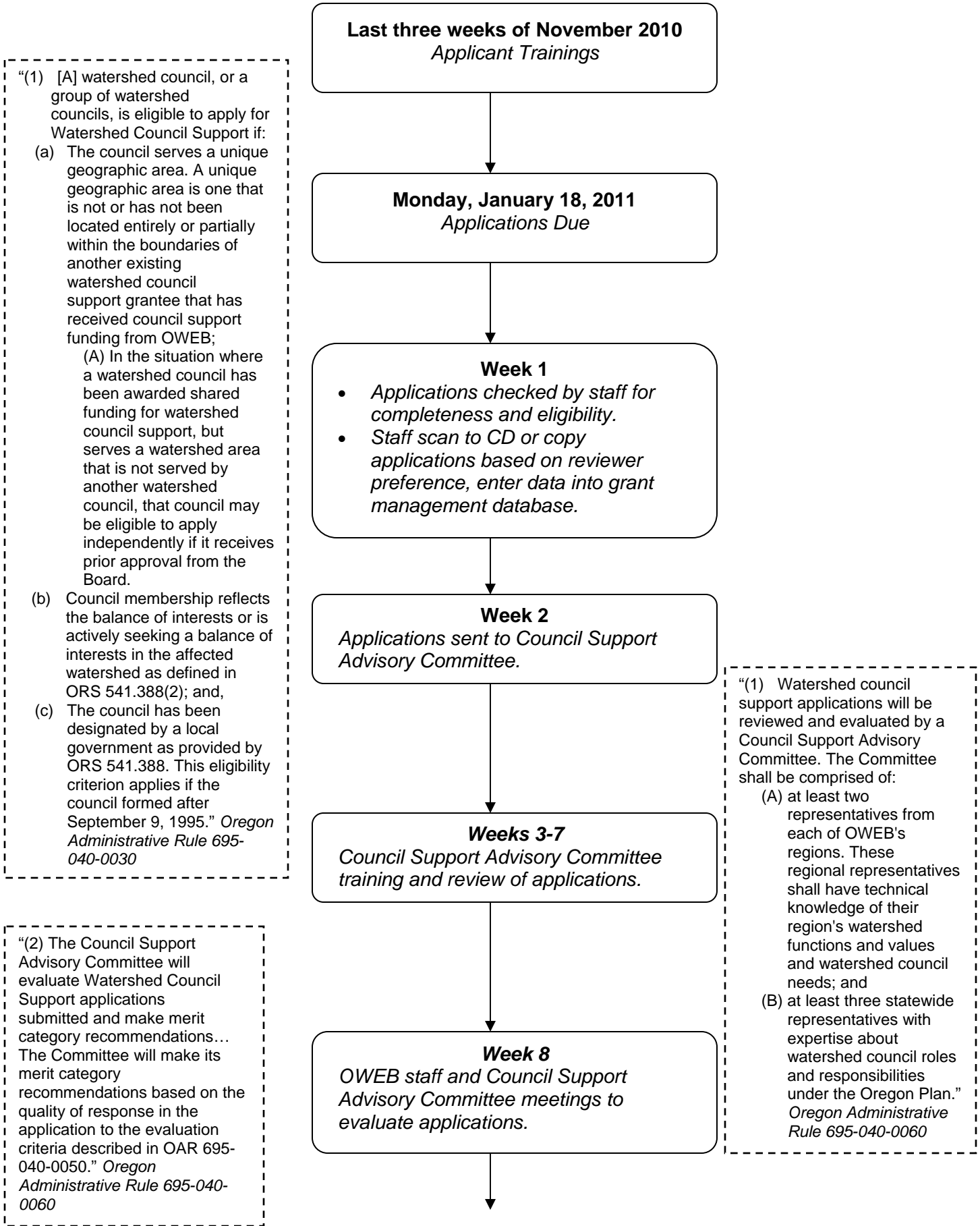
- A. Approve the new applicant policy as described in paragraph IV.C.1 above.
- B. Approve the solo funding request policy as described in paragraph IV.C.2 above.

Staff will immediately and frequently communicate with councils about these policies, the reasons for the policies, and what they mean for the 2011-2013 council support application process and schedule.

Attachments

- A. 2011-2013 Watershed Council Support Grant Evaluation Process (diagram)
- B. Watershed Council Support Workgroup Participants

Oregon Watershed Enhancement Board (OWEB)
2011-2013 Watershed Council Support Grant Evaluation Process



“(1) [A] watershed council, or a group of watershed councils, is eligible to apply for Watershed Council Support if:

(a) The council serves a unique geographic area. A unique geographic area is one that is not or has not been located entirely or partially within the boundaries of another existing watershed council support grantee that has received council support funding from OWEB;

(A) In the situation where a watershed council has been awarded shared funding for watershed council support, but serves a watershed area that is not served by another watershed council, that council may be eligible to apply independently if it receives prior approval from the Board.

(b) Council membership reflects the balance of interests or is actively seeking a balance of interests in the affected watershed as defined in ORS 541.388(2); and,

(c) The council has been designated by a local government as provided by ORS 541.388. This eligibility criterion applies if the council formed after September 9, 1995.” *Oregon Administrative Rule 695-040-0030*

“(2) The Council Support Advisory Committee will evaluate Watershed Council Support applications submitted and make merit category recommendations... The Committee will make its merit category recommendations based on the quality of response in the application to the evaluation criteria described in OAR 695-040-0050.” *Oregon Administrative Rule 695-040-0060*

“(1) Watershed council support applications will be reviewed and evaluated by a Council Support Advisory Committee. The Committee shall be comprised of:

(A) at least two representatives from each of OWEB’s regions. These regional representatives shall have technical knowledge of their region’s watershed functions and values and watershed council needs; and

(B) at least three statewide representatives with expertise about watershed council roles and responsibilities under the Oregon Plan.” *Oregon Administrative Rule 695-040-0060*

“(3) Information provided by the applicant, the evaluation criteria in OAR 695-040-0050, the recommendation of the Council Support Advisory Committee, the recommendation of the Director, and the applicant’s response to these recommendations will be used by the Board to determine an applicant’s merit category placement and grant funding level.” *Oregon Administrative Rule 695-040-0060*

Weeks 9-12
OWEB staff write summaries of Council Support Advisory Committee evaluations, develop merit ranking and present draft merit ranking to Director.

Week 13
OWEB staff merit ranking and funding recommendations, and Council Support Advisory Committee evaluation summaries, distributed to applicants, reviewers, and Board.

Weeks 14-16
OWEB accepts comment letters on staff recommendations and Council Support Advisory Committee evaluations.

Week 20
OWEB Board makes funding decisions.

“(4) Individual watershed council support grant funding levels will be based on
(a) An applicant’s merit category,
(b) whether the applicant is an umbrella watershed council as defined in OAR 695-040-0020(4),
(c) whether the applicant is two or more watershed councils serving unique geographic areas in a single Watershed Council Support grant where the application demonstrates operational economies of scale over two separate grant applications, and
(d) available funding.”
Oregon Administrative Rule 695-040-0060
Footnote: OWEB staff have never used (c) in determining funding levels because of limited available funding.

Watershed Council Support Workgroup Participants

Anne Saxby
Hood River SWCD and Watershed Working Group

Brian Wolcott
Walla Walla Watershed Council

Max Nielsen-Pincus
University of Oregon
Institute for a Sustainable Environment

Amy Charette
North Fork John Day Watershed Council

Harry Hoogesteger
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