



Oregon

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MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Tom Byler, Executive Director

SUBJECT: **Agenda Item E: 2007-2009 Budget and Spending Plan Update
March 18-19, 2009 OWEB Board Meeting**

Introduction

This report updates the Board on the status of the 2007-2009 budget and the OWEB spending plan for the current biennium. The report is for informational purposes only.

Background

The economic downturn is having a significant impact on state revenues. The February 20 revenue forecast revealed a significant decline in revenue for the current 2007-2009 overall state budget. The forecast predicts an even larger revenue shortfall for the upcoming biennium. This report describes the impacts of the 2007-2009 revenue shortfall on the OWEB budget, and whether those impacts affect the Board's spending plan for the remainder of the biennium.

III. 2007-2009 Biennium

The recent revenue forecast shows a big decrease in General Fund revenue for the current biennium, dropping \$713 million since the December forecast and creating a \$855 million budget hole that needs to be corrected to balance the budget before the end of the biennium in June. Lottery Fund revenues stayed essentially even, despite reduced sales, because the Lottery Department added administrative savings in order to keep 2007-2009 programs whole. Therefore, Measure 66 Lottery Fund revenues remain stable for the moment, and hopefully will remain stable through the remainder of the biennium. The final revenue forecast is scheduled for May 15.

At the time of writing this report, the legislature is completing its effort to re-balance the 2007-2009 budget. This involves making cuts and shifting funds around for a number of state agencies. As part of this effort, the legislature will cut General Fund dollars to natural resources agencies by over \$12 million. Because these cuts are happening so close to the end of the biennium, many agencies will have little flexibility to protect positions from being cut. A number of state agencies that we work closely with will lose positions related to the Oregon Plan for Salmon and Watersheds and other positions as a result of the re-balance.

OWEB is not funded with General Fund dollars, however, some of our current funding is being re-directed to assist with the re-balance. The re-balance actions that affect OWEB's current

budget are as follows:

1. \$59,754 of Measure 66 funds from OWEB administrative operations. These funds will come out of our operations budget and will be covered with administrative savings and remaining balances from our accounts for out-of-state travel, training, and other administrative functions.
2. \$150,000 of Measure 66 funds from the Independent Multidisciplinary Science Team (IMST). This is a significant reduction for IMST operations for the remainder of the biennium.
3. \$15,000 of Measure 66 funds from the Lower Columbia River Estuary Partnership.
4. \$430,000 of Salmon License Plate funds.

The first three reductions, combined with Measure 66 funds shifted out of the Departments of Agriculture and Fish and Wildlife, will be used to fund Total Maximum Daily Load (TMDL) development at the Department of Environmental Quality (DEQ), backfilling a total of \$427,630 that had previously been supported with General Funds.

The \$430,000 of Salmon License Plate funds are to be moved from the OWEB budget to the Oregon Department of Fish and Wildlife for Oregon Plan related work, including the support of two Western Oregon Stream positions that work directly with councils and districts on restoration projects, and a habitat biologist position that also has direct Oregon Plan ties. Lastly, two DEQ Oregon Plan monitoring positions were restored with General Funds. The funding for all of these Oregon Plan related positions will last through the end of the biennium (June 30) and are characterized as one-time fund shifts.

These budget reductions are challenging to deal with, especially so close to the end of the biennium. Given the reductions many other agencies are facing, however, things could have been much worse. Despite the budget reductions, there are several positive points to consider:

1. No OWEB positions will be affected by the cuts between now and the end of June.
2. There were no reductions to our remaining non-capital grant funds (Measure 66 and federal salmon funds) for board awards at the upcoming March and June meetings.
3. Some of the re-balance actions mentioned above saved positions in other agencies that support our local stakeholders and our overall mission.

IV. Spending Plan Status

Per a request of the Legislative Fiscal Office before the beginning of the legislative session, all state agencies prepared budget cut scenarios for the current 2007-2009 biennium. The cut scenarios were developed in anticipation of revenue reductions that might occur before the end of the biennium. If significant cuts were to occur to OWEB's budget, the Board and staff would likely need to reconsider the spending plan priorities.

As mentioned above, Lottery Fund revenues have not dipped below earlier projections. The 2007-2009 budget re-balance had minimal effect on OWEB's remaining discretionary grant funds. Therefore, the Board's spending plan remains essentially unchanged, and staff recommend no substantive alterations to the existing plan at this time.

No non-capital funds reserved in the Board’s spending plan were impacted by the budget rebalance. Table 1 describes the reserves under the Board’s current non-capital spending plan:

Table 1. OWEB Non-Capital Funds Reserve Status

Program Area	Remaining OWEB Non-Capital Reserve
Local Capacity Funding	1,987,000
Technical Assistance	750,000
Recovery Planning	350,000
Monitoring Grants	1,300,000
Other Monitoring	600,000
Education & Outreach Grants	500,000
Education & Outreach Statewide	250,000
Assessment	23,110
Oregon Plan Products	464,507
Partnership Investments	150,000
Research Non-capital	1,146,277
TOTAL	\$7,520,894

The spending plan for capital funds needs to be adjusted as a result of the budget re-balance. The only impact to discretionary grant funds involved a \$430,000 reduction to Salmon License Plate funds, for which revenues accrue on a monthly basis. Following the legislative re-balance reduction, the current level for Salmon Plate funds is \$106,000. These funds are typically used to support road-related salmon habitat restoration projects. The adjusted spending plan reserves for capital funds are contained in Table 2 below:

Table 2. OWEB Capital Funds Reserve Status

Program Area or Fund Type	Remaining OWEB Capital Reserve
Capital Grants/Acquisitions	9,250,000
Special Investment Partnerships	2,000,000
Recaptured Capital Grant Funds	1,541,029
Salmon License Plate Funds	106,000
TOTAL	\$12,897,029

All in all, OWEB is very fortunate to have avoided significant budget cuts. Staff are hopeful that the May 15 revenue forecast will not force additional budget cuts. That said, the continuing economic downturn presents considerable uncertainty about the level of state revenues that will be available through the remainder of the biennium. OWEB funds could be impacted by revenue reductions and legislative disappropriation if the May 15 forecast indicates a drop in revenue. With that in mind, there is no guarantee that funds reserved in OWEB’s spending plan will be available for Board awards at the June meeting. Moreover, there is no guarantee that unspent funds for grants awarded at the March meeting will be available for grantees if revenues decline further and those funds are disappropriated.

V. Recommendation

This is an information item only. No Board action is requested.