

May 13, 2009

MEMORANDUM

TO: Oregon Watershed Enhancement Board

FROM: Ken Bierly, Deputy Director

**SUBJECT: Agenda Item N: Conservation Reserve Enhancement Program (CREP)
Partnership Funding
June 2-3, 2009 OWEB Board Meeting**

I. Introduction

This report follows up on the Conservation Reserve Enhancement Program (CREP) Work Group presentation at the March meeting and proposes an approach to fund continuation of CREP Technical Assistance at the outset of the 2009-2011 biennium.

II. Background

Funding for CREP Technical Assistance has been acknowledged as a critical element in the promotion and successful implementation of the Oregon CREP program. OWEB has funded CREP Technical Assistance in a variety of different manners over the last four biennia. Other partners also fund CREP Technical Assistance. The Bonneville Power Administration, National Fish and Wildlife Foundation, Clean Water Services, and soil and water conservation districts (SWCDs) with tax bases all provide funds for CREP Technical Assistance. The OWEB funding is currently supporting staff at 13 SWCD offices. (See Attachment A, Annual Report to USDA.)

III. Current Status

To date, funding for the CREP technical assistance has been supported by non-capital funds. Since the state budget will not be completed at the time of the June Board meeting, and given the likelihood of reduced funding, staff do not recommend committing next biennium's funding for CREP technical assistance until we have a full understanding of our budget resources and evaluate competing needs. The funding of CREP technicians ends at the end of the biennium. There will be some funds remaining unspent in the agreement with the Oregon Department of Agriculture (ODA) that is used to fund CREP assistance. Unless the Board takes some action, the current CREP technical assistance staff will not have a source of funding until and unless OWEB has non-capital funds and allocates funds in September.

Staff have considered the costs of not funding CREP staff and believe there is a strong need for the continuing effort. CREP is a very successful program that promotes conservation within the regional community and effectively utilizes OWEB funds with an 80-20% federal/state match which has amounted to federal commitments of more than \$55 million to date. The need is underscored by the recent increase in soil rental rates that could make enrollments in CREP more competitive with commercial agricultural rates. Exploring ways to continue CREP assistance

into the coming biennium with resources allocated to the current biennium, staff have identified two actions that the Board could take: 1) use the unexpended funds (approximately \$100,000) from the current ODA contract to fund continuation of CREP assistance; and/or 2) use capital funds currently allocated for CREP payments for cost share.

For the last biennium, ODA has assisted the CREP technicians in tracking and distinguishing capital and non-capital expenses. The CREP technicians have a good idea of the difference between capital and non-capital expenses. Given the uncertainties of non-capital funding for the 2009-2011 biennium, staff propose to use non-capital funds allocated but not expended for the current biennium for SWCD support to be carried forward to be used for CREP assistance next biennium as well as funds allocated for CREP payments be allocated for assistance in the coming biennium.

Staff also propose to use up to \$500,000 of unexpended capital funds allocated to CREP to continue technical assistance staff until the OWEB budget is adopted by the Legislature. The use of capital funds for technical assistance is a low risk because the experience of the technicians in tracking capital and non-capital expenditures over the last year. OWEB and ODA staff will meet with the technicians and provide clear instructions to only bill their time to projects with signed contracts. Staff are also proposing that the agreement with Oregon Department of Agriculture be extended into the next biennium to allow the use of unexpended funds to support CREP as well.

IV. Recommendation

Staff recommend the Board authorize the use of up to \$500,000 of capital funds previously allocated for CREP payments to be used to continue CREP technical assistance during the 2009-2011 biennium. Staff also recommend the Board authorize the amendment of the interagency agreement with Oregon Department of Agriculture to carry forward the unexpended non-capital funds for SWCD assistance to be used for CREP support during the 2009-2011 biennium.

Attachment

A. CREP Annual Report