



Oregon

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To: Ways and Means Subcommittee on Natural Resources

From: Tom Byler, Executive Director

Date: March 11, 2013

Re: Oregon Watershed Enhancement Board (OWEB) Response to Subcommittee Questions

This memo responds to two questions posed by members of the Subcommittee on Natural Resources during OWEB's budget hearing on March 7, 2013. The questions focused on two issues, which are addressed in the attachments to this memo:

- 1) Attachment A responds to questions concerning OWEB's Performance Measure #1, the Percentage of Total Funding used for Agency Operations, and associated staffing and workload issues. The attachment describes the workload compared to staffing level (as represented by FTE) through time and revenues compared to staffing level through time. It also references the method by which Performance Measure #1 is calculated and the effect of Measure 76 on this calculation.
- 2) Attachment B is the Report on Budget Notes that were included in Senate Bill 5547 during the 2011 Legislative session. The budget notes requested that OWEB review issues related to a) the Independent Multidisciplinary Science Team (IMST) and b) Watershed Councils. This report was submitted on December 26, 2012 to the Ways and Means Subcommittee on Natural Resources, the Legislative Fiscal Office, DAS Budget and Management, and the Governor's Natural Resources Office.

I would be happy to answer additional questions from Subcommittee members about these topics or any others at your convenience.

Attachment A. Response to Questions Concerning Performance Measure 1 – The percentage of Total Funding used for Agency Operations.

To calculate this performance measure, OWEB compares all funds – Capital, Operating and Other (federal, Salmon Plate, etc.) to OWEB’s cost to deliver its programs, including management of those funds through grant payments. Prior to the passage of Measure 76, OWEB included in its calculation all funds that went to other agencies (in FY10, this was approximately \$13 million). This is because OWEB had to complete and manage interagency agreements to transfer the funds to other agencies.

With the passage of Measure 76, while the Legislature still technically appropriates funds through OWEB to other agencies, each agency reports directly to the legislature. OWEB does not have administrative responsibility over those funds, so does not manage interagency agreements.

As a result, OWEB staff chose to remove those amounts (approximately \$13 million in FY10 and 11, \$11.3 million in FY12) from the calculation for Performance Measure 1.

While OWEB continues to report Performance Measure 1, Chart 1 below reflects OWEB’s workload as a granting agency – applications reviewed and agreements executed – compared with the FTE during the same time frame. This workload also includes grant management, report, and associated fiscal and administrative services.

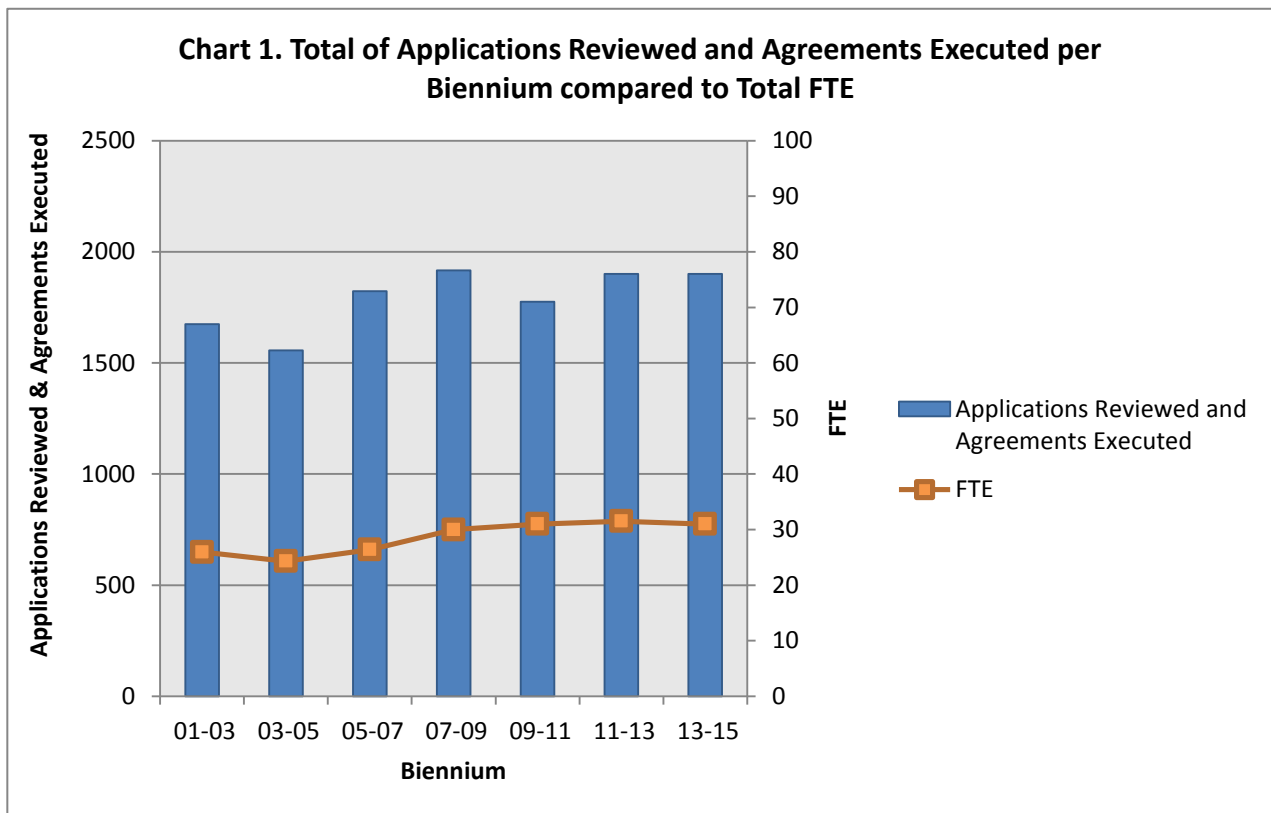


Chart 2 shows total revenues by biennium compared with FTE. Prior to the passage of Measure 76, the funds in red were a part of OWEB’s Performance Measure 1 calculation. Subsequently, those were no longer counted by OWEB.

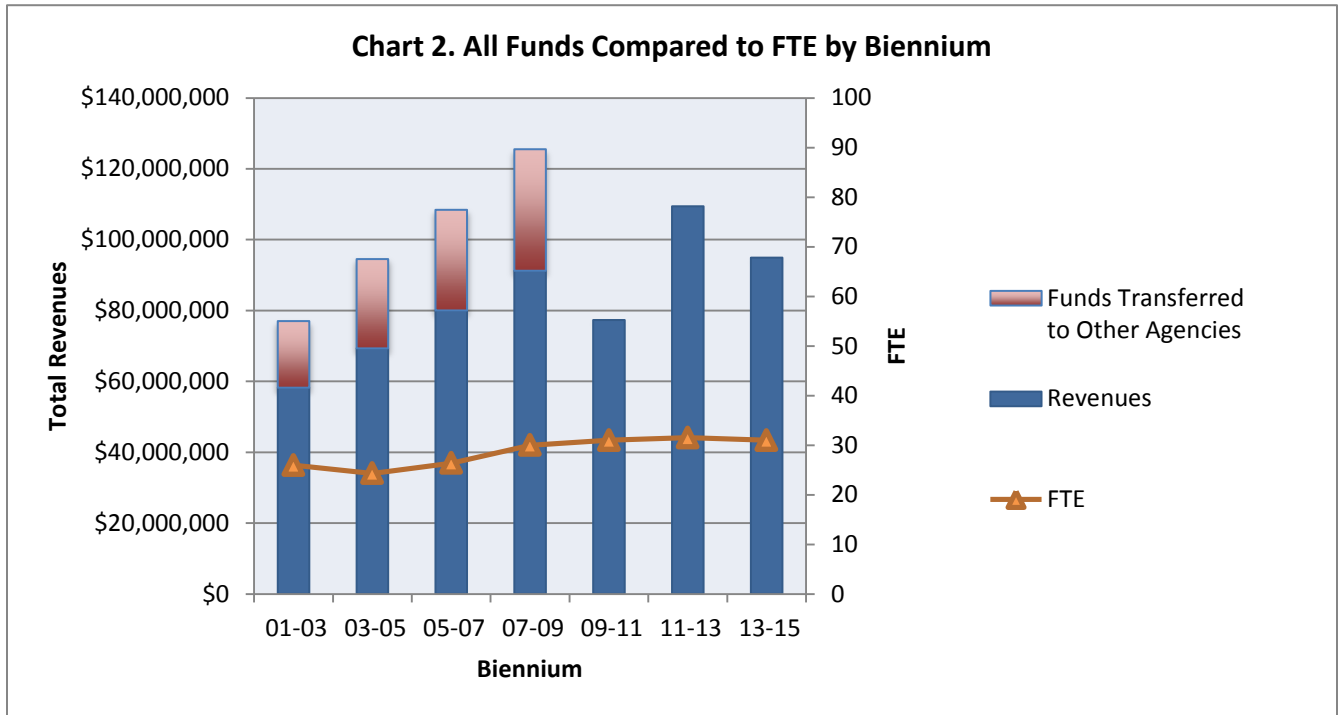


CHART NOTE: for the 11-13 and 13-15 biennia, dollar amounts are budgeted. All previous amounts are actuals

During this time, OWEB’s Performance Measure 1 calculation is listed below. The performance measure was first used in 2004.

Performance Measure 1 – The percentage of Total Funding used for Agency Operations.

2004	5%
2005	5%
2006	4%
2007	3%
2008	4%
2009	5%
2010	6%
2011	6%
2012	7.3%

Attachment B

Oregon Watershed Enhancement Board Report on Budget Notes in Senate Bill 5547 (2011)

December 26, 2012

This report is submitted by the Oregon Watershed Enhancement Board (OWEB) to fulfill two budget notes contained in the agency's budget bill, Senate Bill 5547 (2011).

I. IMST Budget Note

"The Subcommittee directs OWEB to examine new operational guidelines for Oregon's Independent Multidisciplinary Science Team (IMST) in order to improve its operations and usefulness to OWEB and other state agencies. As part of its review, OWEB is directed to propose any necessary changes including a new structure for Team membership and new operational guidelines, if necessary, that would allow the IMST to more efficiently and effectively meet its scientific role regarding the Oregon Plan for Salmon and Watersheds. In carrying out this review, OWEB is expected to work with the Governor's Office and consult with appropriate state natural resources agencies and other interested stakeholders. OWEB will report its recommendations to the legislature prior to January 1, 2013."

Response/Action:

Since the beginning of the biennium, OWEB staff met numerous times to discuss the budget note with the IMST co-chairs, the full IMST and Governor's Office staff. The discussions focused around two areas: 1) consideration of improved operational guidelines for IMST; and 2) consideration of any changes that may be needed to improve the efficiency and effectiveness of science review under the Oregon Plan for Salmon and Watersheds.

1. Significant progress was made regarding improved operational guidelines for IMST. The IMST developed the new guidelines in May 2012 and they were adopted in August 2012. A critical reason for updating operational guidelines was to maximize operational efficiency with declining budget resources. IMST recognized that its historic method for distributing funds to support its operations may have been unnecessarily limiting the Team's efficiency and effectiveness. The new guidelines are intended to improve IMST operations for the following purposes:
 - Greater flexibility in how funds from IMST budget are expended;
 - Greater flexibility in the amount and timing of work for individual members;
 - Greater ability to reach outside the IMST for needed expertise;
 - Greater accountability of individuals for the quality, quantity and timeliness of their work; and
 - Improved communication and meeting scheduling.

Under the new operational guidelines, the IMST will allocate funds for the fiscal year based on a projected work plan for each anticipated project. Project work plans will include timelines with milestones, and a budget that includes costs for team members and other experts as needed. More details on the new operational guidelines are contained in Attachment A to this report.

Recommendation: OWEB recommends IMST utilize the new operational guidelines through the 2011-2013 biennium and into the 2013-2015 biennium to test and review their effectiveness.

2. In addition to the development of new operational guidelines, OWEB, IMST and staff from the Governor's Office discussed potential changes that may be needed to improve the efficiency and effectiveness of science review under the Oregon Plan for Salmon and Watersheds. To date, these conversations have also included the Departments of Agriculture, Environmental Quality, Fish and Wildlife, Forestry, and Water Resources, Institute for Natural Resources, and Oregon State University.

Recommendation: Continued conversation is needed on this item to further explore potential actions that will to best align independent science review with state natural resources management priorities and activities. OWEB, IMST, the Governor's Office, state natural resources agencies and other interested stakeholders will continue this discussion into 2013. OWEB anticipates final recommendations will be developed before the end of 2013.

I. Watershed Council Budget Note

"The Committee recognizes that watershed councils are essential partners in accomplishing projects to protect, enhance and restore native fish and wildlife habitat and water quality and quantity. The Committee thinks that after over a decade of millions of dollars in state investments in watershed council support grants, it is appropriate to review council's activities and oversight. The Committee directs OWEB to:

1. *Work with appropriate local government entities to review the process for establishing and overseeing watershed councils, and identify whether any statutory or rule changes are needed.*
2. *Enhance watershed council reporting to OWEB for accountability and tracking of accomplishments.*
3. *Review criteria used to determine council eligibility for council support grants, to better ensure that investments go to groups that reflect the interests of the watershed and have proven successful in accomplishing their work plans in the past.*
4. *Report to the Seventy-sixth Legislative Assembly regarding progress and recommendations."*

Response/Action

1. *Work with appropriate local government entities to review the process for establishing and overseeing watershed councils*

Oregon statutes define watershed councils as voluntary, locally based groups designated by a local government entity convened by a county. Oregon law also states that OWEB has the discretion to provide capacity grants to watershed councils under certain conditions.

During 2011-2013, OWEB worked with the Association of Oregon Counties to review the process for establishing and overseeing watershed councils, discuss OWEB's proposals for revising its council support grant program, and discuss whether any statutory or rule changes

are needed. OWEB discussed this issue in meetings with the AOC Committees on Public Lands and Natural Resources and Energy and the Environment and also consulted with individual county commission members. Below is a summary of feedback from counties:

- Overall, counties and watershed councils enjoy good relationships.
- It is important for councils to communicate with counties.
- It is important for councils to maintain balance on their governing boards.
- Counties did not identify the need for statutory changes.
- Counties supported the direction OWEB is headed with enhancing watershed council reporting for accountability and revising criteria used to determine council eligibility for council support grants. These steps will better ensure that OWEB invests in groups that reflect the interests of the watershed and have proven successful in accomplishing their work plans in the past. OWEB will need to adopt changes to administrative rules to implement these changes.

2. *Enhance watershed council reporting to OWEB for accountability and tracking of accomplishments*

OWEB previously required watershed councils to provide a hard-copy report every two years. OWEB is enhancing council reporting requirements as follows:

- By August 2013, all councils with council support grants must submit electronic (online) annual work plans to OWEB for review.
- OWEB will require annual, online progress reports under the work plans.
- The work plans will require councils to document the watershed limiting factors and relate on-the-ground restoration projects to those limiting factors. Councils must also demonstrate progress towards on-the ground restoration, community engagement and organizational development through the work plan and its updates.

3. *Review criteria used to determine council eligibility*

OWEB's existing administrative rules contain broad eligibility criteria used to determine council eligibility for council support grants. OWEB has developed proposals to revise the criteria to better ensure that investments go to groups that reflect the interests of the watershed and have proven successful in accomplishing their work plans in the past.

In November and December 2012, OWEB held six listening sessions around the state in Pacific City, Medford, Ontario, Monument, Salem and Bend, to review OWEB's ideas for new eligibility criteria and invite stakeholder feedback, discussion and ideas.

The table below shows current and proposed criteria.

Criteria	Current	Proposed	Supporting the Future Vision
A. Governance & accountability	None	<ul style="list-style-type: none"> Standard governance & accountability provisions in council bylaws, fiscal policies & procedures Council action plan 	Supports effective and accountable use of public funds
B. Council membership reflects or seeks a balance of interests in the watershed	Not clearly defined	Clarify and define requirements	Successfully involving a balance of interests is required by Oregon statute, encourages collaboration, effectiveness and can increase efficiencies
C. Governmental designation & legal entity status	Any local government (<i>unless formed before Sept. 9, 1995</i>)	<ul style="list-style-type: none"> County government recognition Council must be a legal entity or have a fiscal sponsor 	<ul style="list-style-type: none"> County designation encourages a whole watershed approach & broad collaboration Accountability with public funds
D. Scale of watershed area eligible for council support grant	“Unique geographic area” – open-ended; no minimum required scale, size	Define geographic area scale	<ul style="list-style-type: none"> Geographically and ecologically based watershed areas Encourage “ridgetop to ridgetop” approach Stable number of council capacity grants

OWEB received significant stakeholder feedback on its proposals. Item D in the table above was the most controversial proposal. OWEB will be reviewing stakeholder comments and developing a proposal to consider during a rulemaking process beginning in 2013, with OWEB Board adoption of revised council support grant rules planned for 2014.

For further information, please contact:

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Renee Davis-Born, Senior Policy Coordinator 503-986-0029

ATTACHMENT A

Proposal for “test drive” of revised IMST operations in 2012-2013 Fiscal Year Final 8/21/12

Background: The following Budget Note was attached to the 2011-2013 budget allocation for the IMST: *“The [C]ommittee directs OWEB [Oregon Watershed Enhancement Board] to examine new operational guidelines for Oregon’s Independent Multidisciplinary Science Team (IMST) in order to improve its operations and usefulness to OWEB and other state agencies. As part of its review, OWEB is directed to propose any necessary changes including a new structure for Team membership and new operations guidelines, if necessary, that would allow the IMST to more efficiently and effectively meet its scientific role regarding the Oregon Plan for Salmon and Watersheds. In carrying out this review, OWEB is expected to work with the Governor’s Office and consult with appropriate state natural resources agencies and other interested stakeholders. OWEB will report its recommendations to the Legislature prior to January 1, 2013.”*

To comply with the intent of the Budget Note, the IMST is proposing to institute a number of operational changes during the 2012-2013 Fiscal Year on an experimental basis, beginning October 2012. The IMST believes that this trial run will help inform the development of the recommendations called for by the Budget Note. All the changes proposed can be accomplished within ORS 541.914 (the statute that established and guides the IMST), and will be undertaken in close collaboration with the Governor’s Natural Resources Office and the Oregon Watershed Enhancement Board. The basic framework of this proposal, and the agreement to carry it forward, were developed by the IMST during its May 31, 2012 meeting and adopted at its August 1, 2012 meeting.

IMST recommends to GNRO that it consult with IMST prior to filling vacant Team positions until after the test of revised operations is concluded. To bring in new Team members at this time may be confusing to the new members and disruptive to the Team. Members awaiting reappointment because their term expired should be reappointed if they so desire.

Rationale: The operational changes contained in this proposal are based on key improvements that the IMST members agree will enhance the productivity and efficiency of the team:

- *Greater flexibility in how funds are expended.* Currently funds are encumbered equally among members at the beginning of the biennium, without regard to how much or what type of work each member might actually do. The ability to focus funds more specifically on individual projects would increase overall production and make it easier to account for expenditures.
- *Greater flexibility in the amount and timing of work for individual members.* The expertise needed for IMST projects in any given year varies by topic, leading to an uneven distribution of work among members. In addition, some members are not available to work on IMST project for extended periods due to travel or other commitments. A flexible approach to scheduling work would better accommodate members’ schedules. The trial run will help IMST evaluate the effects of more flexibility on team efficiency, especially in responding to agency requests.

- *Greater ability to reach outside the IMST for needed expertise.* Due to the relatively inflexible budgeting system currently used by IMST, funds are rarely available to contract with outside experts when needed. The ability to do so would greatly enhance the quality and timeliness of IMST products.
- *Greater accountability of individuals for the quality, quantity, and timeliness of their work.* Currently the IMST has no system for developing work plans, setting expectations, and evaluating the performance of individual members. A formal performance evaluation system would improve feedback among members as to expectations, and result in increased productivity.
- *Improved communication and meeting scheduling.* Currently the Team meets only every several months, and it is difficult to schedule meetings except very far in advance. Returning to the earlier model of monthly meetings will greatly improve communications within the team, and help advance projects more quickly.

Proposal:

1. *Funding and compensation.* The initial allocation of funds for the fiscal year will be based on a projected work plan for each anticipated project. The project work plans will include a timeline with milestones, and a budget that includes costs for team members and other experts as needed. Members working on a project will be compensated at a rate based on their role or the type of product they are providing, see Table 1. (Note: members currently are compensated without respect to their level of expertise or effort being exercised).

Table 1. IMST rates of compensation for different categories of work.

Work Category	Compensation Level
Lead in science synthesis and writing on reports; “managerial” functions on a project (report, review or workshop)– work plan/budget development, etc., overseeing contracts, overseeing work of other subcommittee members, ensuring completion, arranging reviews, etc.	Full
Lead in conducting review	Full
Lead in organizing workshop	Full
Subcommittee member on review or report, provide significant written input, literature review, etc.	Full
Subcommittee member, providing mainly review or editing of committee product	Half
Document review and editorial comment, not a subcommittee member	Half
Meeting attendance (Only travel from Team member’s Oregon residence or office will be covered)	Pro bono
Meeting preparation	Pro bono
Co-chair duties – overall work plan, performance evaluations, work on charter, supervision, budget management, issue resolution, liaison with GNRO, Legislature, agencies, etc.	Full

Funds in excess of what is known to be needed for projects at the beginning of the year will remain unallocated, and used for projects that are requested or generated during the course of the year. The IMST will develop a list of “shelf” projects that can be funded and accomplished if no outside requests are forthcoming. As a rule of thumb, managerial and liaison/outreach functions of IMST members will consume no more than 15% of the total budget (this does not include the budget for staff); this percentage may be adjusted up or down after the trial is completed.

2. *Meeting schedule.* The IMST will resume monthly meetings, and will schedule the meetings at the beginning of the fiscal year. Members are expected to attend all scheduled meetings. They may attend 2 meetings per year by conference call if no other option is available, and may miss one meeting if excused prior to the meeting by the internal co-chair. Failure to meet this expectation will result in an “unsatisfactory” rating for Performance Element 6 (Engagement) – see Table 2.

3. *Individual performance evaluations.* IMST members will operate under a formal performance system using the elements and standards shown in Table 2. Each member will receive a “360-degree” annual evaluation, including their own assessment of their performance along with those of all other Team members (anonymously). Staff input will be incorporated via consultation with the internal co-chair. Evaluations will be gathered and synthesized by the internal co-chair and discussed with each member. Co-chairs’ evaluations will follow a similar process with a Team member being elected to serve as chair of that activity; evaluations will be discussed with the whole team.

If a member receives unsatisfactory ratings more than once, the results will be shared with the appointing authorities. Opportunity for rebuttal will be provided.

The initial performance evaluation will be done in April 2013, and results will be discussed in an executive session in June 2013.

Note: this performance evaluation system is meant for individual Team members, and does not replace the evaluation framework for the Team as a whole that is currently in place.

Table 2. IMST Performance Evaluation System

Performance Elements and Standards	Rating	Rationale/ Comments
1. <i>Project leadership.</i> Provided effective and proactive leadership to subcommittee; timelines met; quality standards met.		
2. <i>Scientific contribution.</i> Contributed significant written scientific material and ideas; proactively collected, synthesized and brought in outside scientific material for team discussion and use.		
3. <i>Current in scientific discipline.</i> Regularly reviewed relevant literature, kept current on topics related to team products.		

4. <i>Timeliness</i> . Effectively budgeted time to meet project commitments.		
5. <i>Quality</i> . Material provided was of high quality in terms of scientific content, organization, and writing.		
6. <i>Engagement</i> . Was available to attend team and subcommittee meetings. Communication in meetings was effective in helping projects move forward, was productive, relevant.		
7. <i>External relations</i> . Stayed up to date on natural resources issues in Oregon; sought out information on what state agencies might need from IMST. Presented oneself as an IMST member in a positive, professional manner.		
8. <i>Co-chair performance of duties</i> . Co-chairs provided leadership to the team; ensured work progressed adequately, and conducted outreach in an effective manner.		
<i>Possible ratings: Outstanding, acceptable, unsatisfactory, not applicable/unknown</i>		