

ANALYSIS

Consent Agenda – Various Agencies Requests for Approval to Apply for Federal Grants

The following state agencies seek approval to submit grant applications to various federal agencies. Retroactive approval is necessary for grant applications with deadlines that fell before the submittal dates for the January 2021 meeting of the Joint Interim Committee on Ways and Means and for which prior legislative approval had not been obtained. All agencies submitted advance notification to legislative leadership of their intent to apply for the grants as required by the Department of Administrative Services and Legislative Fiscal Office.

Item 34: Department of Agriculture – Farm to School Program

Analyst: John Terpening

Request: Approve, retroactively, the submission of a federal grant application to the U.S. Department of Agriculture (USDA) in the amount of \$131,250 to support statewide farm to school programming.

Analysis: The Farm to School Program is designed to improve access to locally sourced foods in school districts that are participating in the National School Lunch Program. This program includes schools, summer meal sites and early childcare centers. Grant funds are to be utilized by state agencies to support planning, training, and partnership development activities to implement a statewide farm to school program. The Oregon Department of Education partners with the Oregon Department of Agriculture (ODA) to implement the Farm to School Program, and in 2020 Oregon State University (OSU) established a Farm to School Extension Program.

Typically, the federal government provides \$5 million per year in grant opportunities, but USDA is expected to award about \$12 million this year. The grant is competitive and requires a 25% match or cost-share, which will be met with in-kind personal services from the partner agencies. The grant application deadline was January 10. The agency notified legislative leadership of its intent to apply for the grant on December 21. If awarded, ODA anticipates utilizing an interagency agreement to pass the funding to OSU, which will work to develop a statewide Oregon Farm to School Strategic Plan. This plan will then help the Department of Education and ODA with ongoing implementation and evaluation of the program.

Item 37: Department of Environmental Quality – Municipal Stormwater Program

Analyst: John Terpening

Request: Approve the submission of a federal grant application to the Environmental Protection Agency (EPA) in the amount of \$1,010,000 over a period of two years, to provide funding to communities to plan and implement stormwater and sewer system improvement projects.

Analysis: The Department of Environmental Quality (DEQ) is requesting approval to apply to the EPA for a federal grant in the amount of \$1,010,000 as part of EPA's Sewer Overflow and Stormwater Reuse Municipal Grants Program. This program provides funding to be disbursed to assist communities in meeting stormwater and sewer overflow management infrastructure needs.

The allocation for these funds is identified in the Federal Clean Water Act, under Section 221, with the amount identified for Oregon as \$1,010,000 split over two federal fiscal years. State agencies receiving the funds can then disburse them to assist communities in meeting Combined Sewer Overflow, Sanitary Sewer Overflow, or stormwater management infrastructure needs. The grant funding can be used for planning, design, and construction costs, but not operations and maintenance. Additionally, while the subgrantee must be a municipal government entity, the individual project receiving the funding can be publicly or privately owned.

Since the federal grant application deadline is flexible, DEQ plans to submit its application upon receiving approval of this request; the EPA expects to make funding available to States within 2-3 months of receiving application materials. This grant requires a 25% state match, which can be met through a variety of options, including through Clean Water State Revolving Fund (CWSRF) loans provided that the loans are to the same sub-recipients as would receive the grant funding. DEQ intends to utilize existing CWSRF loan funding for the matching funds, and by doing so, it will also provide DEQ with a selection of ready-made eligible projects for the grant funding. Administration of the grant can be accomplished with existing staff in the Water Quality Division. DEQ will prioritize projects from financial distressed communities that would deliver measurable stormwater improvements for water quality. If awarded, DEQ may need to return to the legislature for additional Federal Funds expenditure limitation.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means approve the two requests to apply for federal grants, en bloc, with the understanding that if the funds are awarded the agencies will return to the Legislative Assembly for approval of any necessary Federal Funds or Federal Funds as Other Funds expenditure limitation and position authority.

34
Department of Agriculture
Klein

Request: Retroactive authorization to apply for a grant totaling \$131,250 from the U.S. Department of Agriculture (USDA) for the National School Lunch Program.

Recommendation: Approve the request.

Discussion: This grant program provides funding to eligible state agencies to implement statewide farm to school programming. Funds will be used by the Oregon Department of Agriculture (ODA) in partnership with the Oregon Department of Education (ODE) and Oregon State University (OSU) to design and develop a statewide Oregon Farm to School Strategic Plan. The grant requires a 25% match, which will be met by providing in-kind personal services from ODA, ODE, and OSU. The grant application is due on January 10, 2022. If the grant is awarded, ODA may return to a future legislative meeting to request additional expenditure limitation, as needed.



**OREGON
DEPARTMENT OF
AGRICULTURE**

Protect. Promote. Prosper.

635 Capitol St NE, Salem, OR 97301-2532
503.986.4550 | Oregon.gov/ODA

December 6, 2021

Senator Elizabeth Steiner Hayward, Co-Chair
Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

Nature of the Request

The Oregon Department of Agriculture (ODA) intends to apply for a United States Department of Agriculture (USDA) Farm to School (F2S) Grant in partnership with Oregon State University (OSU) and the Oregon Department of Education (ODE), and ODA requests retroactive approval for the grant from the January meeting of the Interim Joint Committee on Ways and Means.

The USDA Farm to School Grant Program is administered by the Food and Nutrition Service (FNS) Office of Community Food Systems (OCFS). This is an annual competitive grant award, designed to improve access to local foods in eligible school districts participating in the National School Lunch Program (NSLP) including schools, summer meal sites and early childcare centers. Funds are intended to be used by state agencies to support activities such as planning, training, and developing partnerships to implement successful statewide farm to school programming. Each year \$5 million is provided to the USDA to support grants, technical assistance, and other activities related to USDA's Farm to School Program. Additional funding for the Farm to School Program was made available from the FY 2018 through FY 2021 agriculture appropriations acts and, as a result, USDA expects to award approximately \$12 million under this solicitation.

This funding opportunity was published October 22, 2021 and will close January 10, 2021. The ODA intends to request \$131,250 for the USDA Farm to School Grant. Applicants are required to meet a 25% (of the total project budget) match or cost share. The total projected cost of the project is \$175,000. The ODA intends to request \$131,250 in federal funds and the cost share will be met by in-kind personal services from ODA (\$17,500), ODE (\$17,500), and OSU (\$8,750). ODA will develop an inter-governmental agreement with OSU

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair

The Honorable Representative Dan Rayfield, Co-Chair

December 6, 2021

Page 2

to provide facilitation, project and grant management, evaluation design, and oversight of core partners.

Agency Action/Background

Oregon was the first state to institutionalize Farm to School (F2S) more than a decade ago by establishing two state agency positions within the Oregon Department of Education (ODE) and the Oregon Department of Agriculture (ODA). The purpose of Farm to School is to provide funding to help National School Lunch Program (NSLP) Sponsors (including schools, summer meal sites and early childcare centers) source Oregon products and to make grants available for food, agriculture and garden-based education for children.

The Oregon State Legislature has continually increased funding to support the goals of F2S and currently the program operates at the \$10 million level. These monies are administered by the Oregon Department of Education, which oversees the USDA Child Nutrition Program and USDA Foods Distribution in Oregon. ODE consults with ODA on the implementation of the program. Recently, Oregon State University established a Farm to School Extension Program in 2020, led by an Extension Farm to School Specialist, and has joined the state agencies in a leadership role.

This grant would allow ODA and partners to engage multidisciplinary partners to design and develop a statewide Oregon Farm to School Strategic Plan to assist with ongoing goalsetting and evaluation of the program.

Action Requested

The ODA respectfully requests permission to apply for the USDA Farm to School Grant Program, and requests retroactive approval at the January meeting of the Interim Joint Committee on Ways and Means.

Legislation Affected

If the grant application is successful, ODA may return to the Legislature for increased federal funds expenditure limitation if ODA is not able to accommodate the grant within existing budget authority.

Sincerely,



Lauren Henderson, Deputy Director
Oregon Department of Agriculture



37
Department of Environmental Quality
Klein

Request: Authorization to apply for a grant of \$1,010,000 from the Environmental Protection Agency for distribution to assist communities in meeting Combined Sewer Overflow, Sanitary Sewer Overflow, or stormwater management infrastructure needs.

Recommendation: Approve the request.

Discussion: The grant program is administered by the Environmental Protection Agency through the Sewer Overflow and Stormwater Reuse Municipal Grants Program (OSG). Grant funding through the OSG is made available to states as part of funding through the Clean Water Act and can be used on projects in municipalities to improve stormwater and sanitary sewer systems. If the Department of Environmental Quality (DEQ) is awarded the grant, the agency will select eligible projects from the existing Clean Water State Revolving Fund Intended Use Plan. The grant requires a 25% match and DEQ plans to match funds with existing CWSRF loan funds.

The grant application is due in early 2022, with funds expected to be distributed during federal fiscal year 2022. If the grant is awarded, DEQ may return to a future legislative meeting to request additional expenditure limitation, as needed.



Oregon

Kate Brown, Governor

Department of Environmental Quality
Agency Headquarters
700 NE Multnomah Street, Suite 600
Portland, OR 97232
(503) 229-5696
FAX (503) 229-6124
TTY 711

December 6, 2021

Senate Co-Chair Elizabeth Steiner Hayward
Representative Co-Chair Dan Rayfield
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301

Subject: DEQ Approval request for Federal Overflow & Stormwater Reuse Municipal Grant Funds

Dear Co-Chairpersons,

Nature of the Request

This letter serves as notification to the Oregon Legislative Fiscal Office, and the Chief Financial Office, that the Department of Environmental Quality (DEQ) intends to submit an application to the Environmental Protection Agency's (EPA) Sewer Overflow & Stormwater Reuse Municipal Grants Program (OSG Program; Funding Opportunity EPA-CEP-02). The OSG program accepts applications from states throughout the federal fiscal year, per a process and funding allocation framework identified in the Federal Clean Water Act, Section 221. State agencies then disburse these funds to assist communities in meeting Combined Sewer Overflow, Sanitary Sewer Overflow, or stormwater management infrastructure needs.

OSG Program Background

On October 23, 2018, the America's Water Infrastructure Act of 2018 was signed into law, and amended section 221 of the Federal Water Pollution Control Act (aka, Clean Water Act, 33 U.S.C. §1301). The Clean Water Act reauthorized funding and expanded an existing program for state water quality agencies to provide grants to communities to plan and implement projects that would improve management of stormwater and sanitary sewer systems. This program is called the Sewer Overflow and Stormwater Reuse Municipal Grants Program (shortened to OSG).

The type of projects eligible for OSG funds are those that would: address Sanitary Sewer Overflows; address Combined Sewer Overflows; Implement Stormwater BMPs (Gray or Green); or develop or implement Water Reuse projects. Grant funding can be used by municipalities for planning, design, and construction costs, but not operations and maintenance. The sub-grantee must be a municipal government entity, but the project receiving grant funds can be publicly or privately owned.

State agencies must apply to EPA for the OSG funds, and commit to prioritize use of the funds based on criteria established in CWA Section 221 (discussed below). While states must demonstrate consistency with these priorities, EPA has provided the flexibility for states to determine which of the priorities are most relevant to their implementation of the OSG program.

DEQ Grant Application Proposal

DEQ intends to apply to EPA for the total funding amount currently available to Oregon from the OSG program. The current estimate of funding available for Oregon is \$1,010,000 (\$416,000 from FY20; \$594,000 from FY21; FY22 funding remains to be determined). EPA allocates funding to each state based upon a calculation described in CWA Section 221 that considers stormwater infrastructure needs, population and urban distribution proportions, and annual precipitation rates. Significant increases in available funding to this program are anticipated because of the federal Infrastructure Bill, and DEQ will keep the Legislature informed as more information becomes available.

The OSG program targets projects that address stormwater or sewer system deficiencies for water quality improvement. There is flexibility within the program criteria in determining project eligibility. The process by which states identify and award the OSG funds is also flexible, as long as the state can demonstrate consistency with OSG program criteria and priorities. Through this targeted but flexible approach, the OSG provides DEQ an opportunity to develop a program and align funding in support of equity for water quality and using natural infrastructure where practicable.

The OSG program requires a state match of 25 percent (\$252,500, based on current allocation) which can be provided by various sources, including but not limited to: public sources including state appropriations or local government match to the OSG grant project; private sources, such as funding from a local business or nonprofit contributing to the OSG project; in-kind services, such as the state's administrative expenses for managing and overseeing the OSG grant and OSG projects can be in-kind services provided that the expenses are not being reimbursed by the federal share of the OSG award; a Clean Water State Revolving Fund (CWSRF) loan (including additional subsidization) to the same sub-recipient or different sub-recipients may be used to meet the cost share requirement. The OSG guidance does allow DEQ to use up to 4 percent of the grant for administration (\$40,400 based on current allocation). DEQ currently intends to provide match funds via CWSRF loan funds to the same sub recipient(s) but would explore other reasonable sources that may be available at the time of the work plan submittal to EPA.

EPA expects to make funding available to state applicants within 2-3 months of receiving complete application materials. DEQ intends to submit application materials to EPA in early 2022, with the goal of having funds available to distribute to sub-recipients before the end of the Federal fiscal year 2022 (i.e., September 30, 2022). DEQ expects this to be an ongoing funding opportunity for the state, particularly with increased allocations for the next five years established by the Bipartisan Infrastructure Deal.

DEQ intends to rely upon the ability to select eligible projects from the existing CWSRF Intended Use Plan (IUP) ([FY 2022 Plan](#)). Selection of projects from the IUP provides initial implementation efficiency for the OSG program, given the relatively small amount of funding available for grant administration and the eligibility of SRF loan funds to provide the required 25 percent state match. DEQ plans to identify project(s) from the IUP that can create synergies across the CWSRF and other non-point source control goals.

The proposed OSG program will provide more funding to support DEQ's efforts to improve local water quality and prevent water quality degradation in communities that lack capacity to undertake significant projects due to financial constraints or potential economic burdens. In developing the OSG work plan, DEQ intends to prioritize projects in financially distressed communities, where projects may contribute to supporting environmental justice goals for equitable access to benefits of clean water. Financially distressed communities may have barriers to identifying funding resources, or to plan, design, and construct stormwater projects. Access to grant funds, rather than, or in addition to low interest loans via CWSRF, may provide these communities with important resources to implement critical water quality projects, or to proactively consider and evaluate opportunities to pursue green infrastructure in support of water quality objectives.

Action Requested

DEQ requests approval from the Interim Joint Ways and Means Committee to submit the grant application to EPA for OSG funds. DEQ will develop an OSG work plan that will seek to allocate funding to municipalities with eligible projects, via applications submitted to other relevant funding programs (e.g., initially the most current CWSRF IUP at the time of application to EPA; and potentially future linkage with Section 319 non-point source grants). DEQ would prioritize projects from financially distressed communities that would deliver measurable stormwater improvements for water quality. The goals for this program are to build upon DEQ's currently successful CWSRF loan program and deliver a new path to funding for projects that would have lasting impact on protecting water quality.

Should the OSG program continue to be federally funded and provide a longer-term source of support for local communities seeking water quality improvements, DEQ will also evaluate opportunities to solicit applications from communities specific to the program in an effort to advance water quality goals and distribute opportunities more broadly across eligible communities.

DEQ will not need additional FTE to implement the OSG program at this time. DEQ Water Quality program analyst staff will serve as the grant administrator, and the agency will make the most efficient use of available funds and identify eligible grantees from among existing applicants to DEQ funding programs. DEQ may need adjustments to its Water Quality federal funds limitation in the 2021-2023 biennium depending on when EPA issues the award to DEQ and when DEQ is able to begin issuing disbursements.

Co-Chairs Steiner Hayward and Rayfield

December 6, 2021

Page 4

DEQ is very excited for this opportunity to provide focused resources to financially disadvantaged communities for projects that seek to improve water quality and support development of greener infrastructure projects for water quality. Thank you for your review of this request letter. Please do not hesitate to reach out with any questions.

Sincerely,

Richard Whitman

Director