

ANALYSIS

Item 31: Oregon Watershed Enhancement Board Oregon Environmental Restoration Program

Analyst: April McDonald

Request: Increase Other Funds expenditure limitation for the Oregon Watershed Enhancement Board by \$35,000,000 for projects approved by the Oregon Environmental Restoration Council.

Analysis: SB 1561 passed during the 2024 legislative session and established the Oregon Environmental Restoration Fund (OERF) to receive Monsanto Settlement Agreement proceeds; established the Oregon Environmental Restoration Council (OERC) to determine project eligibility for use of moneys deposited into the fund; and named the Oregon Watershed Enhancement Board (OWEB) as the fiscal agent for the fund and administrative support to the Council. Proceeds shall be used for the sustainable investment and expenditure of earnings to support projects for environmental remediation or restoration of harms and contamination, particularly the presence of polychlorinated biphenyls (PCB), in accordance with the Monsanto Settlement Agreement.

No later than December 1 of each year, the OERC must determine the distribution amount from the OERF into three separately established funds for environmental remediation projects. The annual distribution is transferred as follows: 50% to the State Agency Program Fund; 25% to the Tribal Nation Natural Resource Program Fund; and 25% to the Disproportionately Impacted Community Fund. Based on the distribution policy adopted by the OERC in October 2025, the annual distributions from the OERF to these separate statutory funds in the 2025-27 and 2027-29 biennia are estimated to be as much as \$35 million per year, or \$70 million a biennium. For each biennium, including the 2025-27 biennium, two distributions from the OERF to the separate statutory funds are anticipated, as per statutory direction.

As the fiscal agent, OWEB will make distributions from the Tribal Nation Natural Resource Program Fund and the Disproportionately Impacted Community Fund to eligible recipients as special payments, which requires budgeted expenditure limitation. OWEB anticipates distributions from State Agency Program Fund may be made through revenue transfers, once rulemaking is complete, which would not require additional expenditure limitation. With two transfers totaling up to \$70 million anticipated from the OERF to the separate statutory funds in the 2025-27 biennium, a total of \$35 million may be expended as special payments. OWEB is requesting \$35 million in Other Funds expenditure limitation on an ongoing basis to implement the provisions of SB 1561.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$35,000,000 in Other Funds expenditure limitation for the Oregon Watershed Enhancement Board in a budget reconciliation bill during the 2026 legislative session for projects approved by the Oregon Environmental Restoration Council.

Request: Increase Other Funds expenditure limitation by \$35,000,000 for projects approved by the Oregon Environmental Restoration Council.

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: During the 2024 Legislative Session, the Legislature established the Oregon Environmental Restoration Council (OERC) via Senate Bill 1561. The legislation specifies the OERC will determine an amount to distribute from the Oregon Environmental Restoration Fund (OERF) established with Monsanto Settlement Funds. Further, the legislation specifies the distributed amount should be deposited into three separate funds:

1. 50 percent into the State Agency Program Fund (SAPF)
2. 25 percent into the Tribal Nation Natural Resource Program Fund (TNNRPF)
3. 25 percent into the Disproportionately Impacted Community Fund (DICF)

The OERC adopted a distribution policy in October 2025 for the 2025-27 and 2027-29 biennia. Annual distribution from OERF is \$35.0 million per year, totaling \$70.0 million for each biennium. Twenty-five percent of the biennial amount, or \$17.5 million, is estimated to be transferred into the TNNRPF and \$17.5 million into the DICF. These distributions will be made through Oregon Watershed Enhancement Board (OWEB) via Special Payments. Given the estimates, OWEB is requesting \$35.0 million in continuing Other Funds expenditure limitation, which is sufficient to make distributions through the biennium and moving forward.

The strategic priorities and rulemaking for the SAPF are still under development. Once the payment mechanism for those funds is established, OWEB will make the appropriate request. Should the payment mechanism be revenue transfer to recipient agencies, no limitation or legislative action will be needed. Should the payment mechanism be Special Payments to recipient agencies, OWEB will come forward at an appropriate time to request legislative action to provide additional limitation.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 527, section 8(2), Oregon Laws 2025, for Oregon Watershed Enhancement Board for Grants by \$35,000,000 for the 2025-27 biennium.



Oregon

Tina Kotek, Governor



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December 10, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301

Dear Senator Lieber and Representative Sanchez:

Nature of Request

The purpose of this letter is to request a permanent increase in Other Funds expenditure limitation of \$35,000,000 for the 2025-2027 biennium and beyond.

Agency Action

SB 1561 (2024 Regular Session) established the Oregon Environmental Restoration Council (OERC or Council) to oversee the stewardship of Monsanto Settlement Funds and named OWEB as the fiduciary agent for the Council. SB 1561 states that each calendar year by December 1, the Council will determine an amount to distribute from the Oregon Environmental Restoration Fund (OERF) established with Monsanto Settlement Funds. The annual distribution will then be transferred to 3 separate funds as follows:

50% State Agency Program Fund
25% Tribal Nation Natural Resource Program Fund
25% Disproportionately Impacted Community Fund

Expenditures within the Tribal Nation Natural Resource Program Fund and the Disproportionately Impacted Community Fund will be made as Special Payments. Based on the distribution policy adopted by the OERC in October 2025, it is estimated that for the 2025-27 and 2027-29 biennia the annual distribution from the OER Fund could be as high as \$35 million per year (\$70 million for each biennium). Of that, 25% (\$8.75 million per year or \$17.5 million for the biennium) will be transferred to each of the two funds (Tribal Nation Natural Resource Program Fund and Disproportionately Impacted Community Fund) to be distributed through Special Payments, for a total of up to \$35 million per biennium in Special Payments distributions. Thus, a permanent increase in limitation of \$35 million is requested.

Once the strategic priorities and rulemaking are complete for the State Agency Fund, the payment mechanism for those funds will be established according to state accounting guidelines. The payments may be through revenue transfers (not requiring expenditure limitation) or Special Payments (requiring expenditure limitation). The payment mechanism, agencies and amounts are unknown at this time and no legislative action is requested.

Action Requested

OWEB respectfully requests approval for a permanent increased Other Funds limitation of \$35,000,000 for the 2025-2027 biennium and beyond.

Legislation Affected

Oregon Laws 2025, Chapter 527, Section 8 (2)

Please contact me if you have any questions.

Sincerely,

Sara O'Brien
Executive Director

cc:

April McDonald, Legislative Fiscal Office
Sione Filimoehala, Chief Financial Office
Angela Parada, Chief Financial Office
Geoff Huntington, Senior Natural Resource Policy Advisor