

Addendum 2

PROGRAM REPORTS

GRANT PROGRAM

With the approval of Propositions 13, 40, and 50, statewide grant funding available for water quality improvement projects has increased from an average of \$5-million per year in the 1990's to the voter-approved total of \$8-billion, since year 2000. To implement and oversee the Grant program, bond monies also provide resources for 95-full time staff at State and Regional Boards.

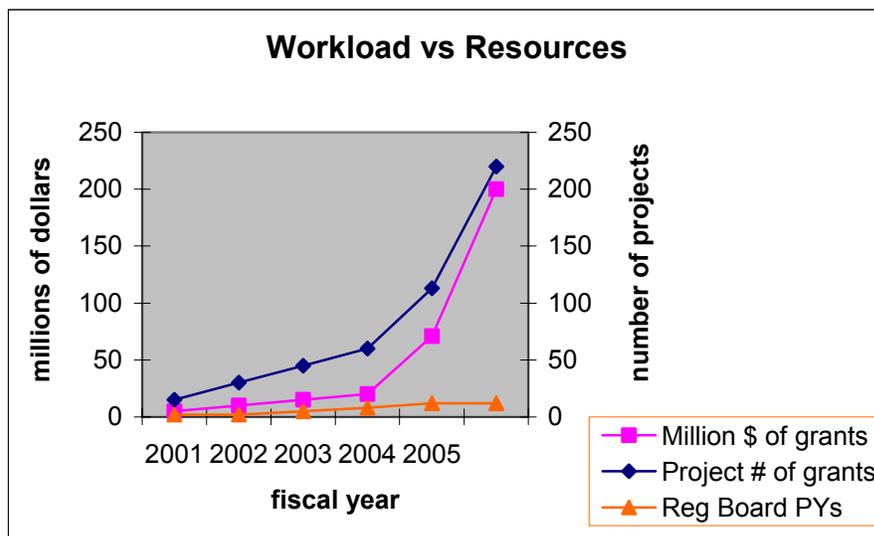
Grant funding supports activities that address a wide range of non-point source pollution (NPS) impacts to water quality. Funded projects help address one or more of the 15 regional water quality priorities identified in the Central Valley Watershed Management Initiative Plan. This Plan explains how Region 5 resources are prioritized to protect water quality on a watershed-by-watershed basis, promote cooperative and collaborative efforts within and between watersheds, and focus limited resources on key regional issues. Grant funded projects within Region 5 directly support the Watershed Management Initiative Plan.

Workload

Currently, Region 5 staff manage 113-active grants totaling over \$71-million (approximately one fourth of the \$294 million currently allocated statewide) for nonpoint source and water quality projects. Resources have been allocated for 12 grant management staff. These resources are currently spread between three offices, and include one half-time grant coordinator and six full time grant managers as well as 23-additional staff who work part-time on grants depending on the project type and staff background. In order to meet increasing workload commitments, resources from other programs (TMDL, agriculture, nonpoint source, Calfed) are being leveraged to assure adequate oversight of selected projects by qualified staff.

The rapid increase in available grant dollars has resulted in a corresponding increase in the number of grant requests and agreements as well as the complexity in the solicitation and selection of projects and in the level of management needed to oversee those approved for funding. Following awards from the Ag Grant Program, the next (2005/06) Consolidated Grants funding cycle and the upcoming Dairy Water Quality Grant Program, the number of grants in Region 5 is projected to increase by over 60% with the total dollar amount of bond funds to be managed predicted to double, depending on individual project awards. In summary, the Regional Board must devise a plan to write, negotiate and execute over 70 new agreements, and manage in excess of 175 grant projects, totaling approximately \$200-million in bond funds.

Staffing resources at the Regional Board have not kept pace with the increasing workload. By the end of 2003, grant management resources allocated to Region 5 had reached 12-PYs. The allocation has remained static, with the same amount of resources (12-PYs) anticipated for FY 05/06. The following figure provides a visual perspective of the number of grant projects, millions of dollars managed and Region 5 allocated PYs.



In addition to the daily grant negotiation and management activities, Regional Board staff continue to work with Division of Financial Assistance (DFA) staff by: assisting with the development of new guidelines and proposal solicitation guidance for each grant program; reviewing and commenting on draft guidelines; participating on grant review and selection panels during the solicitation process; and implementing strategies to streamline the grant process. Streamlining activities are necessary to significantly shorten the timeframe from funding availability to project implementation. Regional Board staff are also coordinating with DFA to insure consistency in implementing the program and to create a comprehensive tracking database specific to Region 5 needs, tailor training to address the needs of our regional grant managers and grantees, and improve communication to our grant management staff.

Internal Framework

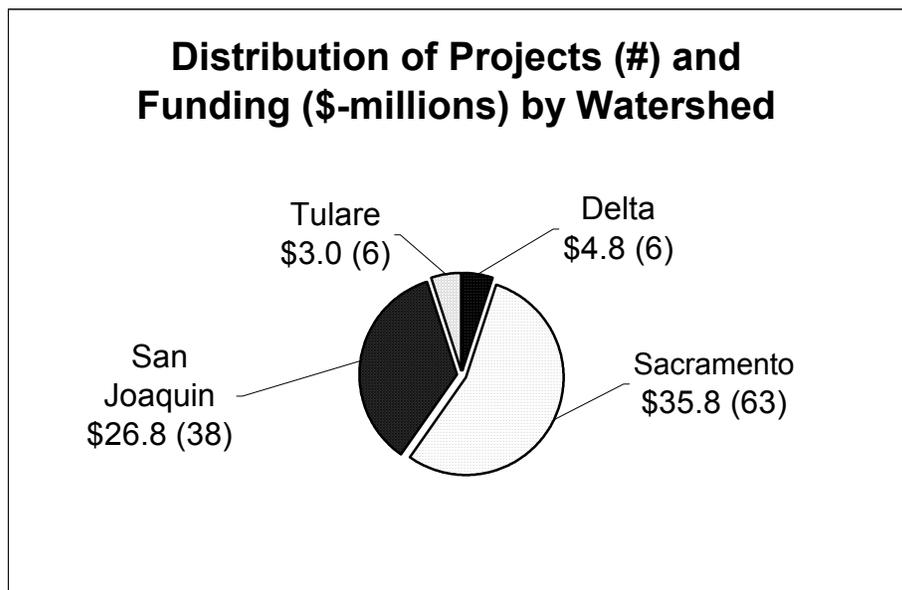
To deal with the many challenges of this rapidly expanding program, staff created a Region 5 Grant Team to improve internal office coordination. Currently, the team consists of four team leaders and one overall grant coordinator. The grant program is divided into four basic categories, and each team leader is the focal point for all activities and coordination concerning that grant program category as follows:

- Calfed Watershed grants;
- Calfed Drinking Water grants;
- Agricultural related grants (Ag, PRISM, Dairy, Federal 319h); and
- Integrated Regional Water Management (IRWM) grants and 05/06 Consolidated Grants process.

On a weekly basis, the grant team leaders and the regional grant coordinator meet to review outstanding issues and identify future needs. Once a month, all 30 grant managers attend a one-hour grant coordination and communication meeting. The monthly meeting is followed by a one-hour mini-training on a variety of grant management related topics (e.g. CEQA, invoicing, Calfed, auditable files, etc.).

Current Status

The following chart shows the distribution of grant projects and funds between our four major watersheds - Sacramento, San Joaquin, Delta, and Tulare Lake Basin.



The chart clearly shows that the greatest portion of funds and projects are currently directed at the Sacramento and San Joaquin River Basins.

The following table describes how grant funds help to address one or more of the 15 regional water quality priorities identified in the Watershed Management Initiative by watershed.

Priority	Water Quality Priorities	Delta	Sacramento	San Joaquin	Tulare Lake	Total
1	TMDLs Allocations (Ag related)	1	7	12		20
2	Agricultural & NPS Sources & Loading	4	3	2		9
3	Watershed Management	1	2	4	1	18
4	Watershed Outreach & Education			1	1	2
5	Stream Channel Restoration		16	2	1	19
6	Invasive & exotic species eradication		2			2
7	Sensitive Watershed Lands		2			2
8	Improve Upland Conditions		1	2		3
9	Implement rangeland WQ Mgmt Plan		1			1
10	Urban Storm Water Runoff		3	1	1	5
11	Groundwater Contamination					0
12	Abandoned Mines & Metal Discharges		3			3
13	Confined Animal Operations			3	1	4
14	WQ Assessment & Beneficial Uses		5	5		10
15	Impact to Drinking Water Sources		1	1		2
3 & 14	Watershed Management & Assessment		7	5	1	13
	Watershed Totals	6	63	38	6	113

Current projects are primarily focused on developing and implementing TMDL's (primarily related to agriculture), general agricultural and NPS issues, water quality assessment, and watershed assessment and management. The project selection process has involved numerous iterations of multi-disciplinary and multi-agency review panels with CALFED having significant influence over selecting projects that affect water quality entering the Delta. The majority of active grants in Region 5 implement CALFED program priorities.

Of the 113 projects currently funded in Region 5, 80 grants (71%) have been executed, and 33 grants (29%) are pending execution. Understanding the geographic and water quality priority distribution of projects is aiding the grant team in setting goals and priorities for future grant work. Before the next 2005/06 grant cycle, the grant team hopes to identify projects that will address a greater variety of regional water quality priorities in sub-watersheds that have not yet received significant grant funding.

Future Direction & Conclusion

Region 5 grant staff continues to move forward with measures to augment, improve, and streamline our Grants Program. With the Grants Program spread over 30 grant managers and the amount of grant money rapidly increasing, one of the highest priorities is to better track the program. One necessary tool is to develop and implement a comprehensive grants tracking database. The primary objectives of the database are two-fold: (1) track how and where all grant money is currently being spent; and (2) identify where new grant projects should be funded to best implement water quality priorities for our region. The database will be used to catalog the types and numbers of projects being funded, track all aspects of individual grant negotiation, execution, and management, inventory which regional board programs and priorities are being addressed, identify where data gaps exist, and measure project performance against expected outcomes and products. The database is expected to

be operational within 6 months and will be used to help identify grant projects that best serve the needs of our region during the 05/06 Consolidated Grant Program.

During the 05/06 Consolidated Grant Program, an estimated \$150 million will be made available. State Board plans to begin solicitation for the 2005/06 consolidated grant projects by November 2005, with project selection to be finalized in June/July 2006. The solicitation and selection process will necessitate extensive coordination and communication between State Board and Regional Board staff, coalition groups, and stakeholders. Without additional resources to accommodate the increased grant workload, hard decisions will need to be made during the next fiscal year as to what work has to be dropped to accommodate the projected growth in the grant program.

Staff will address many of the above issues in an informational presentation at the September Board meeting prior to the next Consolidated Grant solicitation. Staff will present more detail on how well the currently funded projects are meeting our Region's priorities, where deficiencies may exist, and a plan to prioritize future funding opportunities with limited resources.