



STATE OF WASHINGTON

RECREATION AND CONSERVATION OFFICE

February 2009

Item #14: Strategic Planning and Funding Approach

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Approved by the Director:

Proposed Action: Board Discussion and Direction

Summary

The Salmon Recovery Funding Board (board) evaluated its strategic plan and allocation strategy throughout 2008. In addition, several key items contained in the Governor's proposed budget for the 2009-2011 biennium will likely affect the board's planning and funding strategy efforts. Specifically, the Governor's budget:

- Cuts state board grant funds by \$8 million (from \$18 million to \$10 million);
- Cuts lead entity funding by \$140,000; and,
- Directs RCO to find infrastructure efficiencies within the salmon recovery effort.

Based on the surveys of lead entities and regional recovery organizations, previous board discussion, staff analysis, and related input from the Regional Allocation Task Force, staff is presenting recommendations regarding the board's strategic focus, funding strategy, fund allocation, and efficiencies.

There are two board meetings before the start of the new state fiscal year. In that time, the board will need to determine the amount of funding it will allocate to projects, monitoring, and infrastructure for the 2009-2011 biennium.

Staff Recommendation

Staff will provide several possible approaches for board deliberation at the February meeting. At minimum, staff recommends that the board provide direction on budget allocations so that staff, lead entities, and regions can prepare budget proposals for board consideration in May.



Based on our analysis, staff further recommends that the board consider the following options.

- Adopt a mission statement with only slight revisions that more explicitly describe the board's intent for "programs and activities."
- Define the three focus areas ("buckets") for board funding (projects, infrastructure, monitoring) based on past practice, except to allow for future expansion in types of projects and activities funded
- Adopt the proposed principles for a funding strategy to guide future allocations
- Consider the following efficiencies and cost-saving measures for further development:
 - Shift lead entity contract management from WDFW to the RCO. This would have a potential savings of up to 8% (\$280,000) of the lead entity allocation.
 - Consider a biennial grant round to reduce costs associated with developing and evaluating project lists, provide the opportunity for funding larger projects, and allow more time for other activities
 - Identify, from the board's perspective, the core requirements for lead entities and regions independent of budget levels
 - Direct regions and lead entities to work collaboratively to identify efficiencies and propose how they would implement a 20 percent reduction (the approximate change in total state and federal board funding) in their allocation and still fulfill their core requirements.

Background

Since the Legislature established lead entities and the Governor's Salmon Recovery Office in 1998 and the Salmon Recovery Funding Board in 1999, the salmon recovery effort has gone through several major changes. Initially, there was a focus on "early action" habitat restoration and protection projects and the development of a statewide salmon recovery strategy. Since that time, lead entities have developed watershed-based habitat restoration and protection strategies, planning units have prepared watershed plans, and regional recovery organizations have developed ESU-based recovery plans for listed salmon. These organizations are now beginning to implement these plans, which provide a strategic approach to siting habitat projects but also address other recovery activities.

During 2008, the board assessed its strategic plan and how its resources are distributed to support habitat restoration and related activities. In October 2008, the board directed staff to restructure its analysis to reflect a fund distribution among three "buckets" – projects, monitoring, and infrastructure. The intent was to understand how the board had historically distributed its funds as a basis for policies regarding future allocations. At that meeting and in December 2008, the board requested information about other funds supporting the projects and activities, possible efficiencies, and how to consider the RATF recommendations regarding consideration of potential additional grant programs

In December 2008, Governor Gregoire released her budget. The proposed budget reduces state funding for the board's grant program, reduces funding for the lead entities, and includes the following proviso calling for the RCO to find infrastructure efficiencies within the salmon recovery effort.

"The appropriations in this section are subject to the following conditions and limitations: The recreation and conservation office, under the direction of the salmon recovery funding board, shall assess watershed and regional-scale capacity issues relating to the support and implementation of salmon recovery. The assessment shall examine priority setting and incentives to further promote coordination to ensure that effective and efficient mechanisms for delivery of salmon recovery funding board funds are being utilized. The salmon recovery

funding board shall distribute its operational funding to the appropriate entities based on this assessment.”

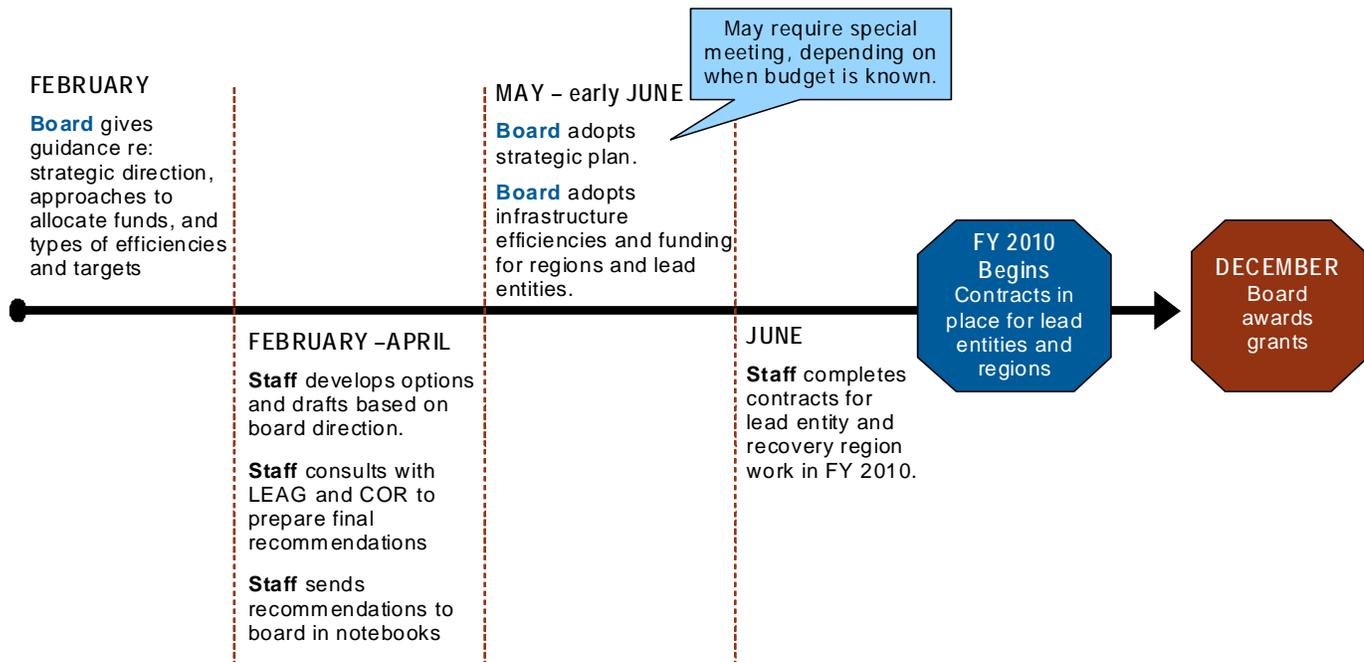
Summary of Discussion Drivers

As noted above, there are several related factors or “drivers” that will affect the Board’s strategic planning and funding strategy discussion. Staff has summarized these key drivers below and some objectives for the board’s spring meetings. Key questions and potential approaches for meeting the objectives are described later in the memo.

Discussion Drivers	Sub-Issues	Objectives
1. Strategic Direction and Focus	Board consideration of its strategic plan – its broader mission, its focus within that mission	Clarify and confirm mission and key focus areas.
	Regional Allocation Task Force recommendations re: new grant programs focused on other aspects of recovery	Consider input of RATF in strategic discussion
2. Funding Strategy	Board consideration of how to best support its areas of focus	Clarify and confirm board funding strategy to support mission and key areas
	Shift from planning to implementation of recovery plans	Identify the infrastructure and core functions necessary to support implementation
3. Fund Allocation for 2009-11 Biennium	Reduction in the board’s budget from \$18 to \$10 million	Determine how to implement \$8 million cut
	\$140,000 cut to lead entities	Determine how to implement \$140,000 cut
4. Efficiencies	Governor’s budget proviso re: efficiencies in salmon infrastructure	Determine possible directions for infrastructure efficiencies

Timeline

The RCO anticipates that the board will know its state funding level for fiscal years 2009-11 by June 30, 2009. At that time, contracts will need to be developed for Lead Entities and Regional Organizations and regional allocations for the grant cycle identified. At either the May 2009 meeting or a special meeting, the board will need to determine how it will allocate funds and what efficiencies it will implement.



Analysis

The following is the result of staff analysis of board discussions, review of salmon recovery activities reported in previous surveys and professional judgment. The Lead Entity Advisory Group (LEAG) and Council of Regions (COR) provided some additional input. Staff will have further consultation with both LEAG and COR based on the board’s feedback and direction in February.

Each of the following sections responds to a discussion driver noted above and concludes with the key questions that staff will be asking the board to answer in February.

Discussion Driver #1: Strategic Direction and Focus

Meeting Objectives:

- Clarify and confirm board mission and key focus areas
- Consider input of Regional Allocation Task Force in strategic discussion.

The traditional role of the board has been to fund projects that protect and/or restore salmon habitat. While vital, these activities are only one part of current salmon recovery. Over time, the board has funded additional parts of the recovery effort – either as mandated by Congress through budget earmarks, by the Legislature through budget provisos, or at its own discretion. The board’s investments now extend beyond habitat projects, but this change has been the result of a gradual addition of responsibilities rather than a strategic approach.

The board has discussed whether it can or should play a broader role in the salmon recovery effort. RCW 77.85.120(1) states that the board is “responsible for making grants and loans for salmon habitat projects and salmon recovery activities.” Further, RCW 77.85.130(1) provides that the board allocate funds “for salmon habitat projects and salmon recovery activities on a statewide basis to address the

highest priorities for salmon habitat protection and restoration.” In this context, the question may be how the board defines “salmon recovery activities” in the scope of its mission, priorities, and funding strategy.

Regional Allocation Task Force

Within the context of possible approaches for increasing resources, the Regional Allocation Task Force developed a recommendation specific to expanding the board’s focus beyond habitat projects. Specifically, the RATF recommended that the board direct the task force to explore the potential of acquiring additional resources by creating additional grant programs focusing on hatchery reform and large ecosystem projects. The RATF noted that the board should also consider expanding the types of eligible projects under the existing grant program. Should the board determine to explicitly state a broader mission, it will need to determine whether and how to implement the RATF recommendations.

Possible Alternatives for Revising the Mission Statement

Staff has identified three possible options to define the board’s role in the overall salmon recovery effort. It is important to note that with a broader mission, the board can still establish more focused priorities for funding.

- **Current Mission Statement:** The Salmon Recovery Funding Board supports salmon recovery by funding habitat protection and restoration projects. It also supports related programs and activities that produce sustainable and measurable benefits for fish and their habitat.
- **Current Policy:** The Salmon Recovery Funding Board supports salmon recovery by funding projects, infrastructure, and monitoring efforts that produce sustainable and measurable benefits for fish, their habitat, and related systems.
- **Specifying a Broader Role:** The Salmon Recovery Funding Board funds projects that implement the various elements necessary to achieve overall salmon recovery. It also supports the related programs and activities that support and produce sustainable and measurable benefits for fish and their habitat.

Key Focus Areas

To implement its mission, the board has identified three key focus areas, commonly referred to as funding “buckets.” The descriptions provided below establish a framework within which the board can adjust the scope of its funding based on priorities and budget. They are:

- **Projects** that produce measureable and sustainable benefits for salmon. This has been limited primarily to habitat restoration and protection projects.
- **Monitoring** efforts that measure results of the projects and related efforts. This has consisted of: 1) project effectiveness monitoring (Tetrattech), 2) intensively monitored watersheds (IMWs), and 3) status and trend monitoring (framework development and some smolt monitoring); and,
- **Infrastructure** that identifies, supports, and implements recovery actions. This has been administrative support of lead entities and regional recovery organizations.

Key Questions for Board to Answer at Meeting

- Are projects, monitoring, and infrastructure the right focus areas?
- How does the board want to describe the scope of the three focus areas (projects, infrastructure, and monitoring)?
 - Projects: Does the board want to retain its current approach of funding largely habitat projects or does it want to broaden its focus to include other recovery actions such as hatchery reform?
 - Monitoring: Does the board want to focus only on the effectiveness of projects it funds, or should it broaden its focus to include IMWs, status and trends, and monitoring efforts at the regional level to ascertain progress towards de-listing?
 - Infrastructure: Should the board focus only on the local and regional infrastructure necessary to identify and prioritize habitat projects or should the board support the infrastructure necessary to implement other recovery activities?
- To what degree does the board want to address the RATF recommendations noted above?

Discussion Driver #2: Funding Strategy

Meeting Objectives:

- Clarify and confirm funding strategy to support mission and key areas
- Identify the infrastructure and core functions necessary to support implementation

The board has discussed how to allocate funds among the three focus areas to achieve the right balance and maximize the use of board funds in concert with other sources. This section describes required allocations, historical distribution of funds, and proposes the use of “principles” and policy-based minimums to guide future board funding decisions.

Requirements and “Other” Allocations

Statutes and federal funding sources clearly require the board to fund habitat projects related to salmon recovery. The RATF recommended to the board that the formula for allocating project money across the regions stay the same, unless there are significant increases or decreases in funding. In addition, the federal PCSRF grant requires that the board allocate a minimum of 10% of the state’s portion of the annual PCSRF award to monitoring efforts.

While there are no statutory requirements for the board to fund infrastructure – in the form of lead entities and regional recovery organizations – doing so has generally been considered integral to Washington’s “bottom up” approach to salmon recovery. The Legislature has appropriated funding for lead entity support and NOAA strongly encourages that regional recovery organizations be funded.

In addition, some allocations have traditionally not been subject to board decisions. This has generally been related to congressional earmarks such as funds for implementation of the Forest and Fish Agreement, Hatchery/Harvest Marking & Tagging, and the Family Forest Fish Passage Program (FFFPP). Since 2003, obligations for these programs have totaled about \$31 million. Staff excluded them from the discussion below, as they are not discretionary funding sources.

Description of Historical Approach and Trends

The board has gradually spread its investments into aspects of salmon recovery beyond habitat projects. Between 1999 and 2003, a number of “programmatic” activities received funding for short periods. In the past three biennia, the board’s funding decisions can be categorized into projects, monitoring, and infrastructure. Tables 1 and 2 show how the board has distributed the funds since 2003. PSAR funds are excluded.

Table 1: Distribution of Board Funds (State and Federal), 2003-2009, Dollars in Millions

	General Historical Description	2003–05	2005–07	2007–09	Average
Projects	<ul style="list-style-type: none"> Projects funded through lead entity process 	\$27.2	\$43.7	\$45.8	\$38.9
Monitoring	<ul style="list-style-type: none"> Smolt monitoring Effectiveness (TetraTech) Intensively monitored watersheds 	\$2.4	\$2.8	\$2.6	\$2.6
Infrastructure	<ul style="list-style-type: none"> Regions Lead entities Statewide Technical Review panel 	\$4.0	\$7.4	\$8.7	\$6.7

Table 2: Percent Distribution of Board Funds (State and Federal), 2003-2009

	2003–05	2005–07	2007–09	Average
Projects	81%	81%	80%	81%
Monitoring	7%	5%	5%	5%
Infrastructure	12%	14%	15%	14%

Proposed Funding Principles

The board may elect to allocate funding among the three key focus areas solely based on historical practice, but staff has developed the following guiding principles as a possible mechanism to assist the board in determining how to achieve the appropriate level of support for each key focus area as the salmon recovery effort evolves and funding levels vary.

1. Each of the three focus areas requires a minimum level of support to ensure that salmon recovery efforts move forward in an effective and sustainable manner and maximize past investments.
2. There may be maximum levels of expenditures in each of the key focus areas, above which would not represent a wise investment of resources.
3. The board recognizes a critical part of its mission is to fund the habitat restoration and protection projects that constitute the foundation of salmon recovery and produce measurable benefits to fish.
4. The board may adjust the components and relative emphasis of the key focus areas based upon salmon recovery needs and the resources available from the board and other local, state and federal sources.
5. Where there is an array of potential funding sources across the key focus areas, the board will help to ensure that those funding sources are as coordinated as possible to make the most effective and efficient use of board dollars. (The Regional Task Force recommended that once

key funding coordination issues are identified, the board should work with other grantors at the statewide level to begin to address the identified funding coordination issues.)

Minimum Funding Requirements

The principles stated above and the historical perspective will help the board in determining how best to distribute funds across the three focus areas in the future. As recognized in the first principle, there is a minimum level of support required in each area for efforts to remain effective. Staff believes that while it may be possible to quantify the minimums, defining them in policy terms will give the board greater flexibility to adjust its priorities as the recovery effort evolves.

- Projects – Level necessary to keep sponsors and lead entities engaged and at which sponsors can implement habitat projects that will make a difference to salmon recovery and provide measurable and sustainable benefits to fish. Funding above this minimum level could provide for additional projects, larger more complex projects, and other salmon recovery projects such as hatchery reform.
- Monitoring – Level of monitoring necessary to (1) ensure that the board's project investments are effective (effectiveness monitoring) and (2) sustain the established data stream. Funding above this minimum could provide for larger sample frames, expanded state-wide monitoring efforts (IMWs, status and trends), and support regional monitoring and data management needs.
- Infrastructure – Level at which the lead entities and recovery regions can identify and prioritize habitat projects while including community values and participation (a "bottom up" approach). Funding above this minimum could provide for implementation of other recovery efforts.

Key Questions for Board to Answer at Meeting

- Does the board accept the principles for the funding strategy?
- Does the board agree with the policy-based minimum funding requirements?
- Does the board have a preferred approach for allocating funds among the "buckets" in general? What are directions to staff for the May board meeting?

Discussion Driver #3: Fund Allocation for 2009-11 Biennium

Meeting Objective: Determine how to implement an estimated \$8 million cut in board grant funds and \$140,000 cut in lead entity budget

The board's decisions on its mission and key focus areas help determine where to allocate resources and at what general levels. These directions also will help the board determine how to address the budget cuts identified in the Governor's budget.

Proposed Cut to Board Funding

Assuming that federal funding remains constant, the proposed \$8 million cut represents about a 20 percent reduction in total board funds. Staff identified three potential approaches for addressing the cut. All would maintain the required 10 percent monitoring budget.

1. Allocate the reduction only to projects and preserve the infrastructure intact. Regions and lead entities would be asked to find efficiencies, but nearly the full cut would be borne by reducing the number of projects. Doing so could result in cutting the grant rounds from two to one.
2. Allocate the cut equally to infrastructure and projects (i.e., apply the same percent reduction to both).
3. Establish a target infrastructure reduction up to 20 percent and allocate the remaining cut to projects. The infrastructure reduction would be realized with either a 20 percent cut to all regional budgets and/or by asking regions and lead entities to identify cuts and prioritize their functions based on minimum requirements set by the board.

Project Allocation by Region

The Regional Allocation Task Force noted that while the current allocation among regions is effective, a significant drop in resources should trigger the regional allocations to be re-examined. The board may want to discuss whether the proposed cuts should trigger this review, and if so, how to approach it.

Proposed Cut to Lead Entities

The Governor's budget also proposes a \$140,000 reduction in lead entity funding. Staff, with LEAG input, identified three options for managing the cut. We propose asking the lead entities to state their preferences or identify additional alternatives.

- Move program administration from WDFW to the RCO, thereby eliminating some overhead costs and services.
- Prorate the \$140,000 cut across all lead entities
- Analyze the pattern of unspent lead entity contract funds and if possible, use that as a basis for reduction

Discussion Driver #4: Infrastructure Efficiencies

Meeting Objective: Determine possible directions for infrastructure efficiencies

At its meeting in October 2008, the board asked staff to work with LEAG and COR to identify operational efficiencies. The board expressed a strong interest in maintaining the infrastructure needed to support projects, but at the lowest cost and greatest efficiency. The governor's budget also identified this need.

Staff identified some efficiencies and contacted LEAG and COR through their meetings and email to solicit their ideas. The following are the most promising efficiencies identified. If the board agrees with this direction, staff, lead entities, and the regions would need to develop specific plans for implementation for board approval in May.

Administrative Efficiencies

Consolidate and coordinate lead entity and region contracts

Where the regional organization and lead entity are the same, use only one contract to specify lead entity and regional obligations. Where regional organizations and lead entities are separate bodies, align the contracts to ensure the tasks are clearly coordinated.

Regions subcontract with lead entities

Provide infrastructure allocations to regional organizations to implement at the local level. Funding distributed to each region would include the regional organization administrative funding and the operational funding for each of the lead entities within the region. Regions and lead entities would work collaboratively to identify functions, prioritize tasks and determine how to distribute the funding between the regional organization and lead entities to achieve those tasks. At a minimum, regions and lead entities would need to meet statutory and contractual obligations identified by the board.

Infrastructure Efficiencies

Requirements for Minimum Activities

In earlier surveys, both regions and lead entities identified many core functions, based on statute and/or contractual obligations. By identifying the core requirements for lead entities and regions to perform with board funding, the board can help these bodies prioritize their work to support efficiencies.

Local Decisions

Reductions need to reflect the varied approaches to salmon recovery in Washington State. Staff believes that the regions and lead entities should have the opportunity to identify the efficiencies they would use to manage a 20 percent reduction in their allocation, and fulfill the core requirements. Their plans would be presented to the board in May.

Integrate Lead Entities and Regions

Identify the core functions of lead entities and regions. Determine if one organization can address all functions and what the composition and structure of that organization might be. These may look different across the various regions depending upon various factors such as size, number of lead entities, number of listed species, etc.

Biennial Grant Round

Consider a biennial grant round to reduce costs associated with developing project lists and allow more time for other activities. Project lists would include alternates to be funded with the following year's federal funds.

Key Questions for Board to Answer at Meeting

- Which options presented here, or by the lead entities and/or regions, should staff assess for board consideration in May?

Next Steps

Based on board discussion and direction, RCO staff will prepare a strategic plan, including policies for fund allocation, for consideration the May meeting. Staff will work with the lead entities and regions to prepare funding proposals for the next biennium.

Attachments

- A. Presentation to be provided at the meeting