

Salmon Recovery Funding Board Briefing Memo

Meeting Date: June Conference Call
Title: Project, Lead Entity, and Regional Organization Funding Allocation Decisions
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APPROVED BY RCO DIRECTOR KALEEN COTTINGHAM

Summary

At its May meeting, the Salmon Recovery Funding Board (board) deferred decisions on project, lead entity, and regional organization funding until the state budgets are known.

As of June 21, 2013 the Legislature has not adopted budgets. In light of the fast approaching start of the new biennium and the potential for a complete staff furlough should a budget not be adopted before July 1, staff has prepared two approaches for the board to consider in making funding decisions on June 24.

- The first option assumes that the Legislature finishes the budget before the June 24 special board meeting. Under this option, the board would approve funding for fiscal year 2014 based on Legislatively-approved budgets. This memo provides a framework; specific dollar amounts would be distributed on the day of the meeting if available.
- This second option assumes the Legislature will enact either a reappropriation budget or the final operating and capital budgets by July 1 or shortly thereafter. Under this option, the board would approve two months of funding for lead entity and regional organization contracts. The memo describes how this short term solution would work.

Board Action Requested

This item will be a:

<input checked="" type="checkbox"/>	Request for Decision
<input type="checkbox"/>	Request for Direction
<input type="checkbox"/>	Briefing

Proposed Motion Language

Proposed motions are provided with each option (Attachments A and B)

Background

The Salmon Recovery Funding Board (board) funds both projects and activities with the state and federal funds dedicated to salmon recovery in Washington State. Most of these funds are allocated to monitoring, capacity, and projects.

- The federal Pacific Coastal Salmon Recovery Fund (PCSRF) grant award requires that monitoring expenditures be a minimum of 10 percent of the PCSRF amount awarded to Washington each federal fiscal year. This year (2013) the PCSRF grant counts some of the monitoring associated with hatcheries and genetics as part of the 10%. The federal grant allocates \$1,684,000 to the board for monitoring purposes, most of which was allocated by the board in May to specific monitoring contracts.
- Funding for lead entities, regional organizations, and projects are determined in light of Washington's annual PCSRF grant award and the state dollars appropriated by the Washington State Legislature each biennium. Funding amounts for projects and for lead entity and regional capacity are set annually¹.

Funds Available

Current Budgets

As of the writing of this memo, the Legislature has not adopted the budgets for the 2013-2015 biennium. We are expecting approximately \$960,000 in general state funds for lead entities, the same amount provided in the 2011-13 budget. We are also expecting \$15 million in capital funds for projects, which would be a 50 percent increase from the 2011-13 appropriation.

In May, NOAA gave the RCO initial notification that the Washington State award for federal fiscal year 2013 would be \$20 million. Based on that notification, \$3.33 million is available for lead entities and regions and about \$10.55 million are available for projects. This is about a 15 percent decrease in federal capacity dollars, and a 7 percent decrease in federal project dollars².

Returned Funds

"Returned funds" refers to money allocated to projects and activities that is returned when projects/activities either close under budget or are not completed. These dollars are returned to the overall budget. The funds are available for cost increases, capacity needs, and to increase the funding available for projects in the upcoming grant round, if the legislature reappropriates the funds as part of either the regular capital budget or a stand-alone reappropriation bill.

We expect about \$3.0 million in returned funds for the 2013 grant round. Staff expects this balance to grow by December 2013. Again, use of these funds depends on a legislative reappropriation.

Federal Fiscal Year 2014

The President's budget included \$50 million for PCSRF for federal fiscal year 2014³. This would be a 23% reduction from 2013. We cannot know what the final budget will include for the

¹ Lead entities and regional organizations received biennial federal appropriations until 2013. Annual awards were approved by the board in 2012 to improve alignment with the PCSRF grant process.

² Compares to average annual awards for federal fiscal years 2011 and 2012. The change to annual awards for capacity funds makes direct comparison ineffective.

³ Federal fiscal year 2014 runs from October 1, 2013 until September 30, 2014. Any PCSRF funds from federal fiscal year 2014 would likely be available in mid to late summer 2014.

program, or what Washington State’s PCSRF grant award will be. When making its funding decisions, the board generally considers two-year federal funding scenarios, so staff has included a status quo scenario and a scenario that reflects the President’s budget for federal fiscal year 2014.

Available and Potentially Available Funds

Based on the current information known about the state and federal budgets, the following funds are likely to be available, or potentially available, for the board’s programs⁴. In reviewing Table 1, it is important to note that state funds are appropriated for the entire biennium. Some state funds must be reserved so they are available as match for the 2014 PCSRF grant application.

Table 1: Estimated Funds for the 2013-15 Biennium

Purpose	Source	Funds Expected if Legislature adopts budgets	Funds Potentially Available
Lead entities	State operating budget	\$960,000	
Lead entities and regions	PCSRF (FFY 2013)	\$3,330,000	
	PCSRF (FFY 2014)		Unknown. Scenario A assumes \$3.33 million. Scenario B assumes \$2.3 million.
		\$4,290,000	\$2.3 - \$3.3 million
Projects	State capital budget	\$14,550,000	
	PCSRF (FFY 2013)	\$10,550,000	
	PCSRF (FFY 2014)		Unknown. Scenario A assumes \$10.55 million. Scenario B assumes \$8.1 million.
		\$25,100,000	\$8.1 - \$10.55 million
Projects, lead entities, regions, other	Returned funds	\$3,000,000	Unknown
Subtotal, capacity (available and potentially available):			\$6.5 to \$7.6 million
Subtotal, projects (available and potentially available):			\$33.2 to \$35.6 million
Subtotal, capacity and projects (returned funds):			About \$3 million
Total available and potentially available:			\$42.7 to \$46.2 million

⁴ PCSRF funds also are available for monitoring. The board made some decisions regarding monitoring expenditures in May 2013. Other decisions have been deferred pending the assessment of the board’s approach, due in October.

2011-13 Funding Levels

For the 2011-13 biennium, the board authorized two \$18 million grant rounds and provided the lead entities and regions with the same funding they received in the 2009-11 biennium. Maintaining the same level of funding for lead entities and regional organizations will require less in the 2013-15 biennium due to efficiencies realized through the consolidation in the Upper Columbia Region and discontinuation of the Foster Creek Lead Entity.

Table 2: Current funding levels

Purpose	2011-13 Funding
Lead Entities	\$3,325,740
Regions	\$5,557,370
Projects	\$36,000,000
Total	\$44,883,110

Board Decisions

At its May meeting, the Salmon Recovery Funding Board (board) deferred decisions on project, lead entity, and regional organization funding until the state budgets are known.

As of June 21, 2013 the Legislature still has not adopted budgets. In light of the fast approaching start of the new biennium and the potential for a complete staff furlough should a budget not be adopted before July 1, staff has prepared two alternate approaches for the board to consider in making funding decisions.

Option 1: Budget Adopted by Legislature before June 24

If the Legislature finishes its budget business before the June 24 special board meeting, the board will need to make funding decisions for fiscal year 2014. The staff proposal is described in Attachment A.

Option 2: Budget Adopted by Legislature after June 24

If the Legislature has not adopted a budget by June 24, will need to make decision about a short-term approach to lead entity and region contracts to carry through two months, assuming the legislature provides either a reappropriation of other funds or subsequently passes the budgets. The staff proposal is described in Attachment B.

Next Steps

Staff will present this information to the board, as well as any updates regarding the state budget and available federal budget, at the June 24th conference call. Staff has presented two options, depending on the status of legislative appropriations on June 24th and will ask the board to select one option. The goal is to have funding in place for the region and lead entity contracts on or shortly after July 1, 2013, if funds are appropriated by the legislature. The board will also meet in August and can make funding decisions for the rest of the fiscal year. The board will also make project grant award decisions in December 2013.

Attachments

- A. Option 1: Proposal if Budget Adopted by Legislature before June 24
- B. Option 2: Proposal if Budget Adopted by Legislature after June 24

Option 1: Proposal if Budget Adopted by Legislature before June 24

Board Decisions and Staff Recommendation

If the Legislature finishes its budget business before the June 24 special board meeting, staff recommends that the board make the following funding decisions:

- A. Set a target grant round of \$18 million for calendar year 2013.
- B. Fill the funding gap for lead entities and regions in state fiscal year 2014 with returned funds.
- C. Approve funding for each regional organization for fiscal year 2014.
- D. Approve funding for each lead entity for fiscal year 2014.
- E. Approve funding for lead entity training and a chairperson.
- F. Reserve \$500,000 to be used for project cost increases in state fiscal year 2014, to be used consistent with policies in Manual 18.

Funding details will be provided on the day of the meeting based on final budget enacted.

Proposed Motion Language

- Move to set a target grant round of \$18 million for calendar year 2013, with allocations as shown in Table A-4.
- Move to approve funding for each regional organization for fiscal year 2014 as shown in Table A-5.
- Move to approve funding for each lead entity for fiscal year 2014 as shown in Table A-6.
- Move to approve funding for lead entity training and a chairperson as shown in Table A-6.
- Move to fill the funding gap for lead entities and regions in state fiscal year 2014 with returned funds.
- Move to reserve \$500,000 to be used for project cost increases in fiscal year 2014, to be used consistent with policies in Manual 18.

Funds Available

Staff will provide an update of Table 1 of the memo on the day of the meeting if final budgets are enacted.

Funding Proposal

The following proposal assumes that funding is provided as indicated in Table 1 of the memo. Staff will update this proposal to reflect final budgets on the day of the meeting as needed.

At the May meeting, board members asked that staff clearly indicate the effects that this year's funding decisions could have on the board's state fiscal year 2015 funding decisions. To that end, staff prepared funding scenarios for state fiscal years 2014 and 2015 based on the known budgets and two possible scenarios for the federal budget in federal fiscal year 2014. The board does not need to choose Scenario A or B at its June meeting; they are presented for reference only.

- The first scenario (Scenario A) for federal fiscal year 2014 assumes that the board will receive the same amount of PCSRF funding for projects, lead entities, and regional organizations.
- The second scenario (Scenario B) for federal fiscal year 2015 assumes that PCSRF will be reduced from \$65 million to \$50 million, and takes a proportionate reduction to projects, lead entities, and regional organization funding.

For projects, the staff funding proposal relies heavily on returned funds and PCSRF in the first year of the biennium so that more of the state funds can be used in the second year of the biennium. Doing so creates a buffer if PCSRF funding falls below current levels, as shown in Scenario B.

For lead entities and regional organizations, the goal is to provide each with the same funding that they received in 2011-13. As highlighted with red type, there is a gap of about \$525,000 in funding capacity at status quo levels. This amount increases dramatically if PCSRF drops in federal fiscal year 2014. Options for addressing the gap in fiscal year 2014 are below.

Table A-1: Staff Funding Proposal: Grant Round Project Funding

Source	State Fiscal Year	State Fiscal Year 2015	State Fiscal Year 2015
	2014 Funding	Scenario A: PCSRF @ \$20 M	Scenario B: PCSRF @ \$15.3 M
PCSRF (Projects)	\$10,550,000	\$10,550,000	\$8,115,384
13-15 State Salmon	\$4,950,000	\$9,600,000	\$9,600,000
Returned Funds	\$2,500,000		\$284,616
Grant Round	\$18,000,000	\$20,150,000	\$18,000,000

Table A-2: Staff Funding Proposal: Lead Entity and Regional Organization (Capacity) Funding

	Status Quo	State Fiscal Year	State Fiscal Year 2015	State Fiscal Year 2015
		2014 Funding	Scenario A: PCSRF @ \$20 M	Scenario B: PCSRF @ \$15.3 M
PCSRF (Capacity)	\$2,778,685	\$2,400,150	\$2,400,150	\$1,630,038
Lead Entity Contracts				
State General Fund	\$480,000	\$480,000	\$480,000	\$480,000
PCSRF (Capacity)	\$1,076,500	\$929,850	\$929,850	\$631,499
GAP (See Options)		\$525,185	\$525,185	\$1,593,648
Total Capacity	\$4,335,185	\$4,335,185	\$4,335,185	\$4,335,185

Analysis

Options Concerning Capacity Funding

Funding for capacity comes from the state general fund and PCSRF. Lead entities receive funding from both sources, while regional organizations are funded solely by PCSRF. Capacity funds from both sources are reduced; the general fund support has declined steadily over the years, and the reduction of PCSRF led to a 9 percent decrease in capacity funds. Together, these created a \$525,000 gap for capacity funding in state fiscal year 2014; a similar situation is likely for state fiscal year 2015.

Staff proposes that the board consider the following three options to address the funding gap:

1. **Fill the budget gap** by allocating older PCSRF returned funds from projects, lead entities, and regions to the state fiscal year 2014 contracts. Doing so would help maintain the current project-to-capacity ratio (see below). Staff expects that many regional and lead entity contracts for 2011-2013 will close without expending all of the budgeted funds; there may be returned funds of at least \$200,000 just from these contracts.
2. **Partially fill the budget gap** by instituting an across-the-board cut of 10 percent to all capacity grants (lead entities and regional organizations). Doing so would reduce the gap by about \$430,000. Returned funds may be used to fill the remaining gap of about \$95,000. The Governor's Salmon Recovery Office asked the regional organizations to document how they would take a 10 percent cut in their 2013-15 scope of work. Staff will share with the board how a 10 percent cut would affect regional organizations.
3. **Do not fill the gap**, and instruct staff to develop recommendations on funding reductions to Regional Organization and consolidation of lead entities.

The Balance of Projects and Capacity in Fiscal Year 2014

In each biennium since 2003, the percent distribution among projects, monitoring and capacity has remained fairly consistent.

In May, the board noted that one consideration would be the effect of the proposal on the balance of funding between projects, capacity, and monitoring. Tables A-3 compares the average historical budgeted distribution of board funds from state fiscal year 2004 through fiscal year 2013 to the proposal 2014.

Table A-3: Funding Comparison for State Fiscal Year 2014

		Capacity	Projects	Monitoring
2004 – 2013 Average		16.0%	76.5%	7.4%
Option for addressing 2014 funding gap	1 Fill the budget gap. Regions & lead entities funded at status quo level	17.8%	73.7%	8.5%
	2 Partially fill the budget gap. Regions & lead entities 10% reduction.	16.3%	75.0%	8.7%
	3 Do not fill the gap.	15.9%	75.3%	8.7%

Reserve Funding for Potential Project Cost Increases

Board policy allows project sponsors to request cost increases under certain circumstances. Increases may be approved by the director, board subcommittee, or the board⁵. The board has typically reserved between \$500,000 and \$750,000 for cost increases.

Funding Tables for Adoption

Grant Round

Table A-4

Region	Allocation
Hood Canal Coordinating Council	\$1,195,165
Lower Columbia Fish Recovery Board	\$2,700,000
Northeast Washington	\$360,000
Puget Sound Partnership	\$6,795,035
Snake River Salmon Recovery Board	\$1,598,400
Upper Columbia Salmon Recovery Board	\$1,953,000
Washington Coast Sustainable Salmon Partnership	\$1,620,000
Yakima Basin Fish and Wildlife Recovery Board	\$1,776,600
Total	\$18,000,000

Regional Organization Funding

Table A-5

Region	Previous Biennium 2011-2013	State Fiscal Year 2014 July 1, 2013 – June 30, 2014
Lower Columbia	\$813,700	\$406,850
Hood Canal	\$750,000	\$375,000
Puget Sound	\$1,378,324	\$689,162
Snake	\$667,176	\$333,588
Upper Columbia	\$870,000	\$435,000
Washington Coast	\$508,170	\$254,085
Yakima	\$570,000	\$285,000
Total	\$5,557,370	\$2,778,685

⁵ Manual 18, Appendix B

Lead Entity Funding

Table A-6

Region and Lead Entities	Previous Biennium 2011-2013	State Fiscal Year 2014 July 1, 2013 – June 30, 2014
Lower Columbia Regional Salmon Recovery*	\$160,000	\$80,000
Hood Canal Regional Salmon Recovery*	\$160,000	\$80,000
Northeast Region*	\$100,000	\$50,000
Puget Sound		
Green/Duwamish & Central Sound Lead Entity	\$120,000	\$60,000
Island County Lead Entity	\$100,000	\$50,000
Lake Washington/Sammamish Lead Entity	\$120,000	\$60,000
Mason CD Lead Entity	\$84,000	\$42,000
Nisqually River Salmon Recovery Lead Entity	\$125,000	\$62,500
North Olympic Peninsula Lead Entity	\$160,000	\$80,000
Pierce County Lead Entity	\$110,000	\$55,000
San Juan County Lead Entity	\$100,000	\$50,000
Skagit Watershed Council Lead Entity	\$160,000	\$80,000
Snohomish Basin Lead Entity	\$125,000	\$62,500
Stillaguamish Co-Lead Entity	\$124,000	\$62,000
Thurston CD Lead Entity	\$80,000	\$40,000
West Sound Watersheds Lead Entity	\$100,000	\$50,000
WRIA 1 Salmon Recovery Lead Entity	\$130,000	\$65,000
Snake River Regional Salmon Recovery*	\$130,000	\$65,000
Upper Columbia Regional Salmon Recovery*	\$308,000	\$135,000
Washington Coast		
Grays Harbor Lead Entity	\$110,000	\$55,000
Pacific Lead Entity	\$100,000	\$50,000
North Coast Lead Entity	\$90,000	\$45,000
Quinalt Indian Nation Lead Entity	\$90,000	\$45,000
Yakima		
Klickitat County Lead Entity	\$110,000	\$55,000
Yakima Basin Regional Salmon Recovery	\$130,000	\$65,000
Subtotal, Lead Entities	\$3,126,000	\$1,544,000
Lead Entity Training	\$16,000	\$8,000
Lead Entity Chair	\$9,000	\$4,500
Subtotal, Lead Entity Support	\$25,000	\$12,500
Total	\$3,151,000	\$1,556,500

* Regional organization administering the lead entity

Option 2: Proposal if Budget Adopted by Legislature after June 24

Board Decisions and Staff Recommendation

If the Legislature has not adopted a budget by June 24, staff recommends that the board make the following funding decisions:

- A. Support Director's extension of existing lead entity and region contracts through August 31, 2013.
- B. Delegate authority to the Director to use available funds to fund the ongoing monthly administrative functions of the regions and lead entities through August 31, 2013 as shown on Tables B-1 and B-2.
 - a. These funds will be added to the scope of the extended existing contracts.
 - b. Available funds are either reappropriated returned funds or newly appropriated funds from the state general fund and PCSRF, if the Legislature approves a budget by July 1.
- C. Continue the practice of allowing the Director to use returned funds for project cost increases, consistent with policies in Manual 18, up to \$500,000 per fiscal year.
- D. Defer setting the target grant round amount until the August 22 board meeting.

Proposed Motion Language

- Move to extend existing contracts with lead entities and regional organizations through August 31, 2013.
- Move to delegate authority to the Director to use either reappropriated returned funds or newly appropriated funds to fund the ongoing monthly administrative functions of the regions and lead entities through August 31, 2013 as shown on Tables B-1 and B-2.
- Move to reserve \$500,000 to be used for project cost increases in fiscal year 2014, to be used consistent with policies in Manual 18.

Funding Proposal

Table B-1: Regional Organizations, Funding for July and August 2013

Region	July 2013	August 2013	Totals
Lower Columbia	\$33,904	\$33,904	\$67,808
Hood Canal	\$31,250	\$31,205	\$62,500
Puget Sound	\$57,430	\$57,430	\$114,860
Snake	\$27,799	\$27,799	\$55,598
Upper Columbia	\$36,250	\$36,250	\$72,500
Washington Coast	\$21,174	\$21,174	\$42,348
Yakima	\$23,750	\$23,750	\$47,500
Total	\$231,557	\$231,557	\$463,114

Table B-2: Lead Entities, Funding for July and August 2013

Lead Entities	July 2013	August 2013	Totals
Lower Columbia Regional Salmon Recovery*	\$6,667	\$6,667	\$13,334
Hood Canal Regional Salmon Recovery*	\$6,667	\$6,667	\$13,334
Northeast Region	\$5,000	\$5,000	\$10,000
Puget Sound			
Green/Duwamish & Central Sound Lead Entity	\$4,167	\$4,167	\$8,334
Island County Lead Entity	\$4,167	\$4,167	\$8,334
Lake Washington/Sammamish Lead Entity	\$5,000	\$5,000	\$10,000
Mason CD Lead Entity	\$3,500	\$3,500	\$7,000
Nisqually River Salmon Recovery Lead Entity	\$5,208	\$5,208	\$10,416
North Olympic Peninsula Lead Entity	\$6,667	\$6,667	\$13,334
Pierce County Lead Entity	\$4,583	\$4,583	\$9,166
San Juan County Lead Entity	\$4,167	\$4,167	\$8,334
Skagit Watershed Council Lead Entity	\$6,667	\$6,667	\$13,334
Snohomish Basin Lead Entity	\$5,208	\$5,208	\$10,416
Stillaguamish Co-Lead Entity	\$5,167	\$5,167	\$10,334
Thurston CD Lead Entity	\$3,334	\$3,334	\$6,668
West Sound Watersheds Lead Entity	\$4,167	\$4,167	\$8,334
WRIA 1 Salmon Recovery Lead Entity	\$5,416	\$5,416	\$10,832
Snake River Regional Salmon Recovery*	\$5,416	\$5,416	\$10,832
Upper Columbia Regional Salmon Recovery*	\$11,250	\$11,250	\$22,500
Washington Coast			
Grays Harbor Lead Entity	\$4,583	\$4,583	\$9,166
Pacific Lead Entity	\$4,167	\$4,167	\$8,334
North Coast Lead Entity	\$3,750	\$3,750	\$7,500
Quinault Indian Nation Lead Entity	\$3,750	\$3,750	\$7,500
Yakima (Includes Klickitat)			
Klickitat County Lead Entity	\$4,583	\$4,583	\$9,166
Yakima Basin Regional Salmon Recovery	\$5,416	\$5,416	\$10,832
Subtotal, Lead Entities	\$128,667	\$128,667	\$257,334
Lead Entity Training	\$667	\$667	\$1,334
Lead Entity Chair	\$375	\$375	\$750
Subtotal, Lead Entity Support	\$1,042	\$1,042	\$2,084
Totals	\$129,709	\$129,709	\$259,418

* Regional organization administering the lead entity