

**Location In-Person:** Room 172, First Floor, Natural Resources Building, 1111 Washington Street, SE, Olympia, WA. This public meeting location will allow for the public to provide comment and listen to the meeting as required by the Open Public Meeting Act. This requirement can be waived via [HB 1329](#) if there is declaration of emergency or if an agency determines that a public meeting cannot safely be held. If an emergency occurs, remote technology will be used instead.

**Location Virtually:** [https://us06web.zoom.us/webinar/register/WN\\_C5PvdllgQJ-TOrb1LuPdsQ](https://us06web.zoom.us/webinar/register/WN_C5PvdllgQJ-TOrb1LuPdsQ)

**Phone Option:** (669)900-6833 – **Webinar ID:** 840 6083 3262

*\*Additionally, RCO will record this meeting and would be happy to assist you after the meeting to gain access to the information.*

**Order of Presentation:** In general, each agenda item will include a short staff presentation and followed by board discussion. The board only makes decisions following the public comment portion of the agenda decision item.

**Public Comment:** General public comment is encouraged to be submitted in advance to the meeting in written form. Public comment on agenda items is also permitted. If you wish to comment, you may e-mail your request or written comments to [Julia.McNamara@rco.wa.gov](mailto:Julia.McNamara@rco.wa.gov). Comment for these items will be limited to 3 minutes per person.

**COVID Precautions:** Masking is not required at this meeting, as the mask mandates have recently been updated by the Governor and local public health departments. If mask mandates change, there will be notification. However, masks and hand sanitizer will be made available. The meetings rooms will be set to allow for as much social distancing as possible and air purifiers will be placed throughout.

**Special Accommodations:** People with disabilities needing an accommodation to participate in RCO public meetings are invited to contact Leslie Frank by phone (360) 902-0220 or e-mail [Leslie.Frank@rco.wa.gov](mailto:Leslie.Frank@rco.wa.gov).

## Wednesday, August 3

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### OPENING AND MANAGEMENT REPORTS

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1:00 p.m.

#### Call to Order

*Chair Breckel*

- Roll Call and Determination of Quorum
- Review and Approval of Agenda (**Decision**)
- Remarks by the chair

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1:15 p.m. **General Public Comment for items not on the agenda:** *Please limit comments to 3 minutes.*

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### BOARD BUSINESS: DECISIONS

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1:25 p.m.

#### 1. City of Bellingham Cost Increase for Middle Fork Nooksack Diversion Dam Removal [18-1534](#)

*Alissa Ferrell  
Marc Duboiski*

\* **Public comment** will occur prior to adopting the motion. Please limit comments to three minutes.

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2:25 p.m.

#### BREAK

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2:40 p.m.

#### 2. Operating and Capital Budget Requests for 2023-2025

- a. Proposed Operating Budget Request
- b. Proposed Capital Budget Requests

\* **Public comment** will occur prior to adopting the motion. Please limit comments to three minutes.

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4:40 p.m.

#### ADJOURN

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**Next meeting:** September 21-22, 2022 – Natural Resources Building, Room 172, Olympia, WA, 98501 - Hybrid

**Subject to change considering COVID restrictions**

## Salmon Recovery Funding Board Briefing Memo

### APPROVED BY RCO DIRECTOR MEGAN DUFFY

**Meeting Date:** August 3, 2022  
**Title:** Cost Increase Decision for Middle Fork Nooksack Diversion Dam Project  
**Prepared By:** Marc Duboiski, Salmon Section Manager  
Alissa Ferrell, Outdoor Grants Manager

#### Summary

This cost increase request for the Middle Fork Nooksack Diversion Dam Project (18-1534) includes background information and recommendations from the Salmon Recovery Funding Board (Board) subcommittee, which recommends approving the \$1,537,580 request.

#### 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

## Introduction / Background

### Salmon Recovery Funding Board Cost Increase Policies

The cost increase policies for projects funded by the Salmon Recovery Funding Board (Board) vary by project location and funding type. The Board annually allocates up to \$500,000 for cost increases across the state. For projects located in the Puget Sound region, the Recreation and Conservation Office (RCO) encourages the use of returned Puget Sound Acquisition and Restoration (PSAR) funds. In all cases, cost increase requests must adhere to the Board amendment process using [Manual 18](#), Appendix I: SRFB Amendment Matrix Authority.

### Cost Increases Using PSAR Funds

RCO and the Puget Sound Partnership (PSP) co-manage the PSAR program, which is funded by the Legislature in the biennial capital budget. This program has two project categories: PSAR regular and PSAR large capital. The PSAR regular fund consists of \$30 million, which is divided each grant round between the lead entities according to their allocation formula and used for approved projects. If the program receives more than

\$30 million, the additional money is used on PSAR large capital projects. Large capital projects are reviewed and ranked by PSP.

*Manual 18, Appendix B: Puget Sound Acquisition and Restoration Fund*, details the process for cost increases using PSAR funds. When a project has a cost increase request, RCO first determines which kind of PSAR funding was used.

For PSAR large capital funds, PSP may use returned large capital funds for Board-approved large capital projects in the following order:

1. The request must go through the standard cost increase request process.
2. Returned funds will be awarded to projects that demonstrate need beginning with the highest ranked project in the approved PSAR large capital project list from the same biennium in which the returned funds were generated.

Project [18-1534](#), Middle Fork Nooksack Diversion Dam Removal, which was the highest ranked project on the 19-21 PSAR large capital project list, is seeking returned PSP large capital funds from the 17-19 biennium due to an unanticipated cost increase. (See Attachment B)

### **Cost Increase Request**

In December 2021, staff received a \$2,323,353 PSAR large capital cost increase request from the City of Bellingham for project 18-1534, Middle Fork Nooksack Diversion Dam Removal.

At that time, staff learned that PSP was considering a \$2.8 million PSAR large capital cost increase request from Clallam County Community Development for project [16-1372](#), Lower Dungeness Floodplain Restoration, which gained Board approval in March 2022. The total amount is comprised of returned 2017-2019 PSAR Large Capital funds from PSP.

Because the Dungeness was awarded its cost increase, the current balance of 17-19 PSAR large capital funds is \$1,537,580. The City of Bellingham reduced their original request to this amount in March 2022.

In April 2022, staff received support from PSP to allocate the remaining available funds to the Middle Fork Nooksack project and the request was presented to Director Duffy on May 5, 2022. The Director recommended convening the Board subcommittee and including it as a separate item on the August Special Meeting agenda.

### **SRFB Subcommittee Meeting**

RCO staff convened the Board subcommittee, consisting of members Annette Hoffman and Chris Endresen Scott, on July 6, 2022. During the meeting they heard a presentation

from the sponsor and Salmon Grant Manager Alissa Ferrell and asked clarifying questions. Project cost request summaries are below.

**18-1534, City of Bellingham, Middle Fork Nooksack Diversion Dam Removal**

	<b>Current</b>		<b>Cost increase</b>		<b>New total</b>	
PSAR large cap	\$10,560,250	70.59%	\$1,537,580	\$12,097,830	65%	
NOAA - Pacific Salmon Treaty Orca	\$2,000,000					
Match	\$4,400,000	29.41%	\$3,285,773	\$7,685,773	35%	
<b>Total</b>	<b>\$16,960,250</b>		<b>\$4,823,353</b>	<b>\$21,783,603</b>		

**Match Funding (unreported):**

	<b>Total</b>
Resources Legacy Foundation	\$335,000
USFWS Puget Sound Coastal Program	\$50,000
NOAA Community-Based Restoration Program	\$611,382
<b>Total</b>	<b>\$996,382</b>

<b>Grand Total</b>	<b>\$22,779,985</b>
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During the meeting, the subcommittee was briefed on the following issues, which lead to the project cost increase request:

- High Risk Location
- Unanticipated Costs
- Unknown vs. Unknowable Circumstances

**SRFB Subcommittee Recommendations**

Based on the following, the Board subcommittee recommends approval of the Middle Fork Nooksack River Diversion Dam project cost increase:

- The project has been a priority for the Water Resource Inventory Area (WRIA) 1 Watershed Management Board for over 20 years.
- The project was the number one ranked PSAR Large Capital proposal in the 2018 grant round.

- Success of this investment is key to opening habitat for limiting salmonid populations.
- All five construction bids exceeded the engineer's estimate. The accepted lowest bid was over by \$2.3 million.
- Change order for unexpected subgrade conditions required additional cost overrun for till material layback and increased shoring work for underground fish screen and water diversion structures.
- The sponsor has leveraged a substantial portion of their own funds in addition to funds received from NOAA's Pacific Salmon Treaty Orca program to control costs.
- Funds are available to cover these cost overruns.
- The sponsor did not know about returned PSAR Large Capital funds available or the opportunity to request a cost increase until discussion with the grant manager at final inspection in November 2021.

## **Motion**

Approve the City of Bellingham's Middle Fork Nooksack Diversion Dam project cost increase request in the amount of \$1,537,580. The total amount is made up of returned 2017-2019 Puget Sound Acquisition and Restoration Large Capital funds from Puget Sound Partnership. The cost increase amendment includes an increase in match by \$3,285,773, bringing the City's share up to 35 percent of total project costs.

## **Strategic Plan Connection**

Goal 1: Fund the best possible salmon recovery activities and projects through a fair process that considers science, community values and priorities, and coordination of efforts.

Goal 2: Be accountable for Board investments by promoting public oversight, effective projects, and actions that result in the economical and efficient use of resources

## **Attachments**

Attachment A: Middle Fork Nooksack Diversion Cost Increase Request (with vicinity map and visual/site plan)

Attachment B: Puget Sound Partnership PSAR Returned Funds Approval Letter

Attachment C: PSAR Large Capital Returned Funds Policy

Attachment D: SRFB Amendment Request Authority Matrix

**Amendment Request Information<sup>1</sup>****Amendment Type** (Check box for type(s) of amendment requested.)

- Scope (change of location, change in metrics)
- Time extension
- Cost (increase, decrease, match change)

Project name **Middle Fork Nooksack Diversion Dam Removal**Project number **18-1534R**Date of request **December 17, 2021**Sponsor(s) **City of Bellingham**Lead Entity **WRIA 1 Watershed Management Board**Current end date **10/31/2022****Funding** (Grants manager may need provide information for this section)

	Current Amount	Biennium/ Year of Funding	Amount Remaining	Share	New Funding Amount	New Share
RCO PSAR CAP	\$10,560,250	2018	\$1,639,492.53	62.26%	\$12,097,830	55.54%
RCO – ORCA Projects	\$2,000,000	2020	\$2,000,000	11.79%	\$2,000,000	9.18%

Please use the amendment matrix in Manual 18 to determine if a request needs lead entity approval. For cost increases using Puget Sound Acquisition and Restoration funds, provide this template to the Puget Sound Partnership for its approval.

Sponsor match	\$4,400,000		\$ 25.94%	\$7,685,773	35.28%
Project total	\$16,960,250	\$3,639,492.53	100%	\$21,783,603	100%

### All Requests

- Brief project summary: ***The project will reestablish fish passage by removal of the City of Bellingham Middle Fork Nooksack River Diversion Dam and installation of a revised municipal diversion intake system with fish screening.***
- Current project progress: ***Project Construction is nearly complete, with facility commissioning and final punchlist activities currently scheduled. Fish passage was reestablished at the site through dam removal and channel restoration in summer 2020.***

### Time Extensions

- Reason and justification for delay: ***No time extension requested.***
- Proposed new project milestones (include any uncertainties): ***No new project milestones.***
- Number of time extensions that have been previously requested for this project: ***None.***

### Cost Increases

- Reason and justification for cost increase (include any uncertainties):

#### ***1-Bid Prices:***

***The project bid price for construction, obtained through public works competitive bidding procedures, was \$2.3M higher than the project estimate established in the original grant request. This project construction cost increase was identified immediately after opening of bids, and was encumbered upon award of the contract. The City received a total of (5) competitive bids for the project, however all bids were higher than the project estimate. City review identified Contractor bids assumed a higher level of project construction risk than had been determined by the Consulting Engineer's construction estimate, resulting in prices higher than expected and budgeted. The bid overages were discussed with Bellingham City Council during the award process; due to the importance of the project, and the potential for additional Pacific Salmon Treaty Funding to be available, City Staff and Council recommended to award the project construction contract. The lowest responsive and responsible bid was accepted and awarded in accordance with City***

**policies. At the time of Contract award, the project construction budget shortfall was \$2,267,936.**

**2-Subgrade Conditions Change Order:**

**During excavation work of this major construction project, the City and Contractor encountered subgrade conditions which differed significantly from those anticipated by the design. Specifically, the project structures were anticipated to be excavated through competent serpentinite bedrock, allowing for near vertical cut rock-excavation methodologies of construction with minimal shoring. The construction team encountered a compacted and dense till material in lieu of the competent bedrock material. This compacted till material would not allow for conventional rock excavation methods as expected, and instead required additional slope cut/layback work, and a significant supplemental shoring wall system of soil nails and shotcrete materials to install the below-grade structures. The City and Construction Management Team reviewed and verified the conditions identified by the Contractor and negotiated and issued Construction Contract Change Orders in the amount of \$4,555,417.**

**The total project shortfall identified from the above items is \$6,823,353.**

- Actions taken to control costs or limit the cost increase: (include any other funding sources pursued):

**1-Bid Pricing Shortfall:**

**Upon receipt of construction bids, the project team performed a bid evaluation and budget analysis. Delay of the project to pursue re-bidding, scope reduction, or postponing the project to secure additional funding would have resulted in significant additional cost, and could indefinitely delay the project benefit of restoring fish passage in the Middle Fork Nooksack. This initial project construction shortfall of \$2.3M was determined to be manageable, given the expected opportunity for the project to receive funding from the Pacific Salmon Treaty/Orca Funding. This funding was requested, and \$2M in PST funding was received in Amendment 1 of this Project Agreement, offsetting the bulk of the \$2.3M shortfall.**

**2-Subgrade Conditions Change Order:**

**The Subgrade conditions encountered were unexpected, and significant collaboration between the City Construction Management Team and the Contractor occurred to minimize the overall cost of the identified Differing Site Condition. All cost packages related to this condition were closely reviewed to minimize the cost overruns and complete construction in accordance with the project goals, permits and requirements. Where possible, the added shoring systems were relied upon to become a portion of the permanent structure, saving costs associated with the overage, and avoiding costly redesign of the structures. As required by City policy, all Change Orders are reviewed**

***for legitimacy and justification. All cost increases are reviewed for appropriateness, and costs were negotiated with the Contractor where applicable***

***As this budget shortfall was realized, the potential for additional external funding through existing public and private partnerships was reviewed and further explored, but it was reported to the City that no additional external funding was available for the project. The City has committed to contribute an additional \$3.3M in funding specific to this issue.***

***With the additional \$2M in funding received from the Pacific Salmon Treaty (Amendment 1), and the additional \$3.3M contribution from City funds (Additional Match), the remaining shortfall results in a request for additional PSAR Large Capital funding up to the amount of \$1,537,580, if available.***

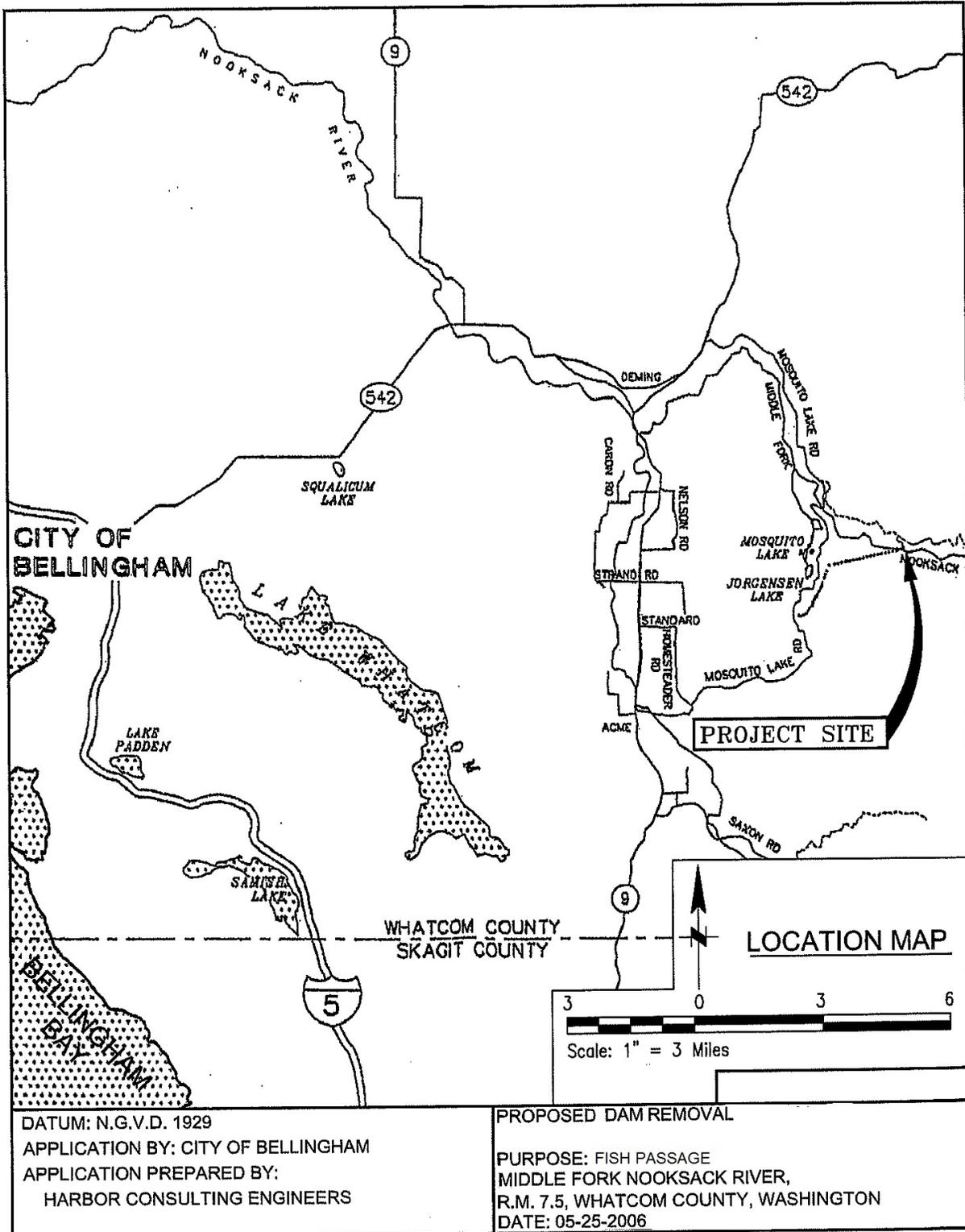
- Number of cost increases that have been previously requested for this project: **None.**

### **Scope Changes**

- Description of, and reason for, scope change: **No scope changes.**
- **Acquisition projects:** see [Manual 3](#), Section 7 for specific scope change requirements and questions.

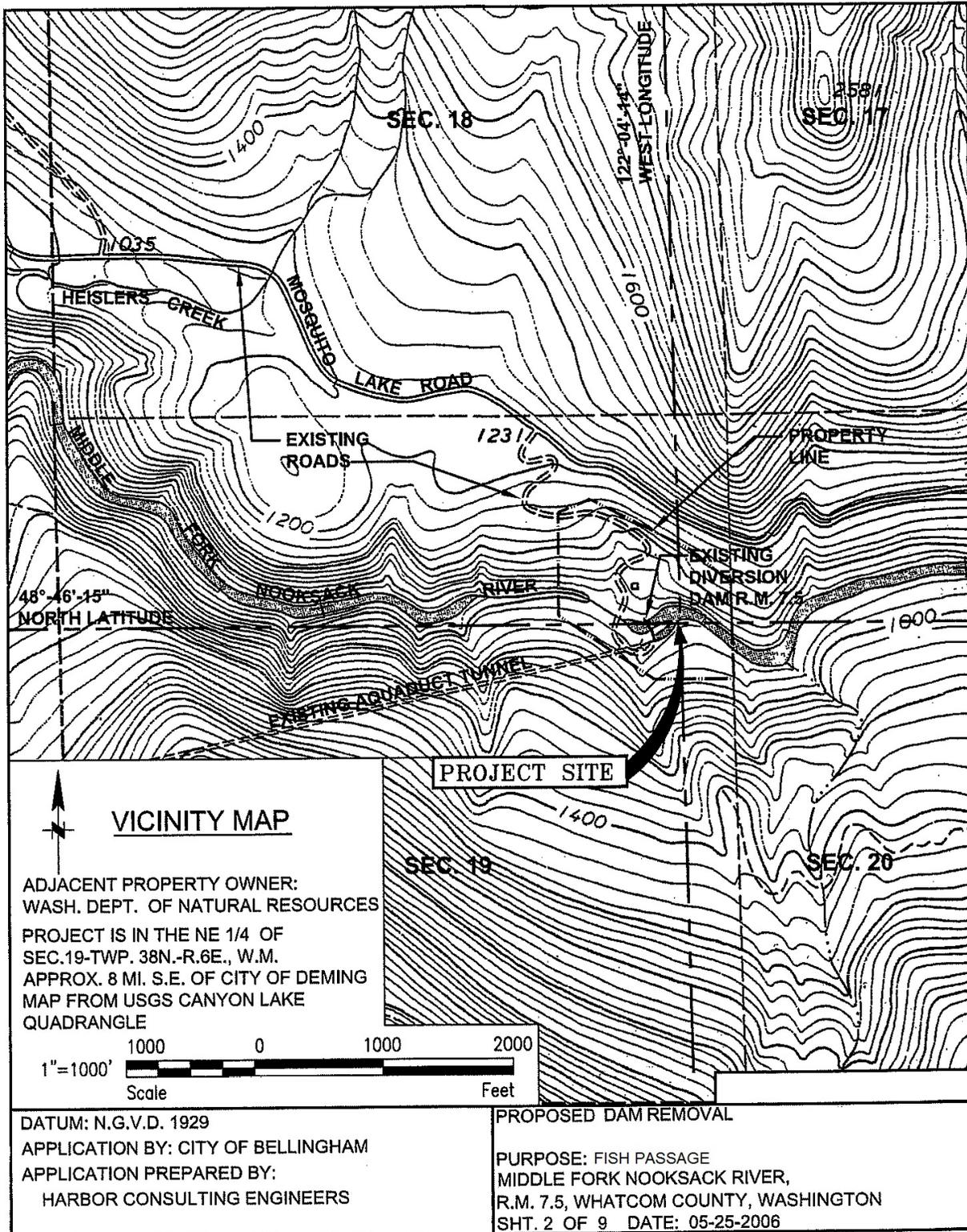
**Attach documentation of lead entity approval.**

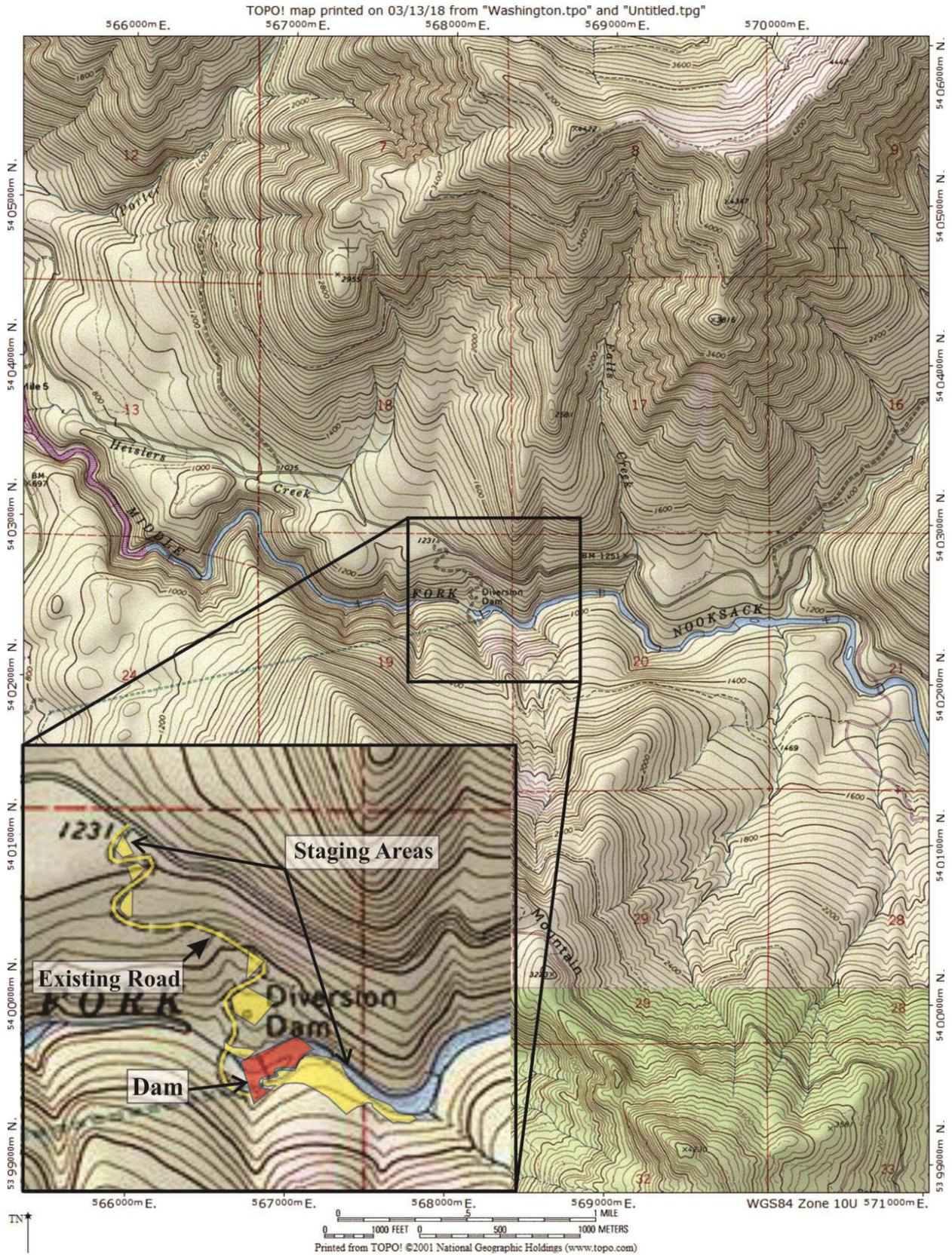
**Attach map if relevant.**

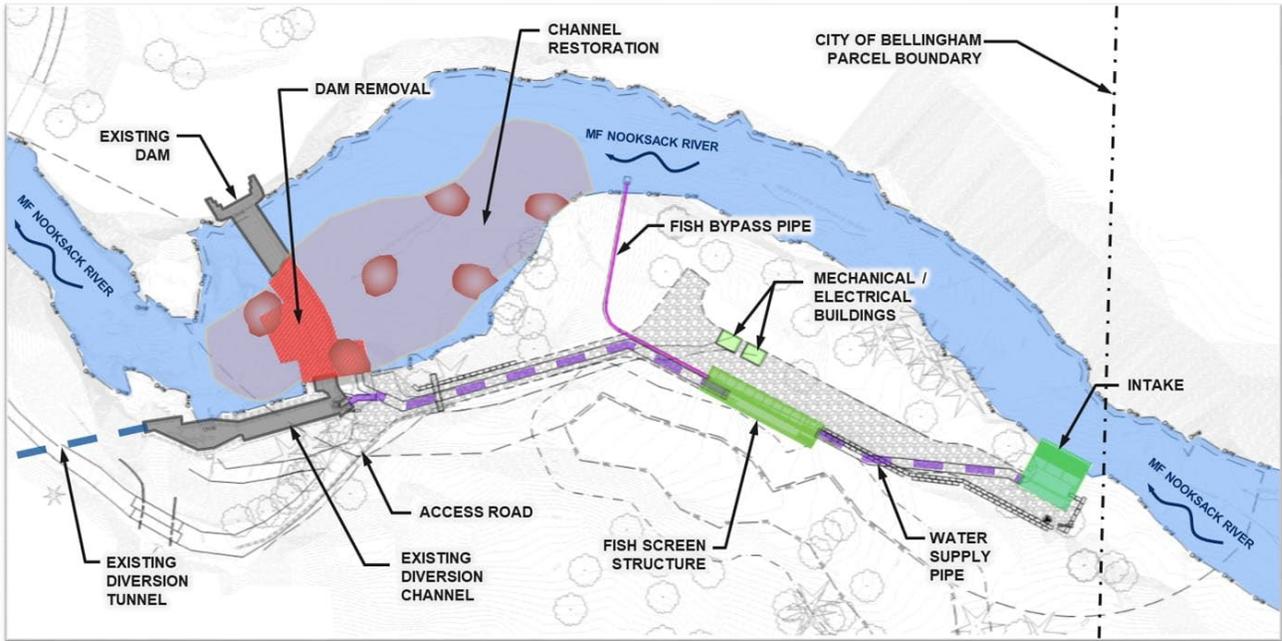


DATUM: N.G.V.D. 1929  
 APPLICATION BY: CITY OF BELLINGHAM  
 APPLICATION PREPARED BY:  
 HARBOR CONSULTING ENGINEERS

**PROPOSED DAM REMOVAL**  
 PURPOSE: FISH PASSAGE  
 MIDDLE FORK NOOKSACK RIVER,  
 R.M. 7.5, WHATCOM COUNTY, WASHINGTON  
 DATE: 05-25-2006









April 26, 2022

Alissa Ferrell  
Recreation and Conservation Office  
P.O. Box 40917  
Olympia, WA 98504-0917

2017 – 2019 PSAR RETURN FUNDS

**Allocation Request – Middle Fork Nooksack Diversion Dam Removal (#18-1534 R)**

**Background:** Puget Sound Acquisition and Restoration (PSAR) program funded projects that may close short and funding returns to the regional organization, Puget Sound Partnership. According to Manual 18 policies, Lead Entities may request these funds to support an active project. The scope of work must be within the original scope of the project application reviewed by the SRFB Review Panel.

**Action Request:** The City of Bellingham Middle Fork Nooksack Diversion Dam Removal project requires additional funding to cover increased costs (above and beyond bid prices). The watershed's technical and citizen's committee has approved this project, and this cost increase. The Lead Entity has no returned funds to apply to this cost increase. Puget Sound region staff have reviewed this request and have determined that it meets the Return Funds policy and criteria. Funding is expected to be spent down by October 31, 2022, the end date of the grant.

This project cost increase request meets the following criteria:

- The project is on the watershed's most current work plan it has been reviewed and approved by the SRFB.
- The Lead Entity and sponsor have submitted a detailed justification of the cost increase.
- The project is considered highly time sensitive.
- The cost increase request has the support of their lead entity technical and citizen committees.

**Request to RCO:** Consistent with policy described in Manual 18 and respecting the time-sensitive nature of this project, the Puget Sound region is requesting that RCO authorize the City of Bellingham's request in the amount of \$1,537,580 to the Middle Fork Nooksack Diversion Dam Removal for increased costs resulting from construction bid pricing and change orders. The City of Bellingham contributed additional match of \$3.3M and secured \$2M from Pacific Salmon Treaty funding. This increase in funds from PSAR will address the project's remaining budget shortfall to ensure timely project completion and success.

Thank you,

A handwritten signature in black ink that reads 'Alison Agness'.

Alison Agness  
PSAR Program Manager  
[alison.agness@psp.wa.gov](mailto:alison.agness@psp.wa.gov)

# **PUGET SOUND SALMON RECOVERY COUNCIL**

## **Puget Sound Salmon Recovery Council Members**

Skagitonians to Preserve Farmland  
Master Builders' Association  
Washington Policy Center  
Long Live the Kings  
Washington Environmental Council  
Futurewise  
US Environmental Protection Agency  
National Oceanic & Atmospheric Administration  
US Army Corps of Engineers  
US Dept. of Agriculture  
Lummi Nation  
Makah Tribe  
Nisqually Tribe  
Nooksack Tribe  
Northwest Indian Fisheries Commission  
Point No Point Treaty Council  
Port Gamble S'Klallam Tribe  
Sauk-Suiattle Tribe  
Skokomish Tribe  
Tulalip Tribe  
WA Dept. of Ecology  
WA Dept. of Fish & Wildlife  
WA State Conservation Commission  
Puget Sound Partnership  
Green/Duwamish Watershed  
Hood Canal Watershed  
Island Watershed  
Lake Washington/Cedar/ Sammamish Watershed  
Nisqually Watershed  
Nooksack Watershed  
North Olympic Peninsula Lead Entity  
Puyallup/Chambers Watershed  
San Juan Watershed  
Skagit Watershed  
Snohomish Watershed  
South Sound Watershed  
Stillaguamish Watershed  
West Sound Watersheds

## **PSAR Large Capital Return Funds Policy** Decisions Made April 2, 2015

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### **PSAR Large Capital Return Funds Policy**

This policy was approved unanimously as amended.

When PSAR Regional/Large Capital funds are returned to the region, funds will be reallocated and prioritized as follows:

1. For SRFB-approved PSAR Regional/Large Capital projects that still need additional funding or that have unanticipated cost increases.
  - a. All cost increase requests will need to go through the standard SRFB cost increase request process.
  - b. Return funds will be awarded to projects that need additional funds beginning with the highest-ranked project in the approved PSAR Regional/Large Capital project list from the same biennium the return funds were generated from.
  
2. If all SRFB-approved large capital projects from the biennium the return funds came from do not need additional funds for completion, the return funds can then be applied as follows:
  - a. If the Recovery Council has approved the next biennium's PSAR Regional/Large Capital project list, then the funds will be applied to those projects in rank order. Funds can be used to defray cost increases to those approved projects, or to fund projects below the original funding line.
  - b. If the Recovery Council has not yet approved the next biennium's PSAR Regional/Large Capital project list, then the funds may be applied to an approved PSAR Local/Small Capital project that is a high priority and urgently in need of additional funds.
  
3. In certain cases the Recovery Council may make an exception to this policy and also approve the use of Regional/Large Capital Return funds for unanticipated cost increases to an approved PSAR Local/Small Capital project that is a high priority

and urgently in need of additional funds, or for a Large Capital project from a previousbiennium.

4. PSP staff will notify the Recovery Council by email of a proposed use of return funds. If any Recovery Council member cannot accept the proposal, they may block it. If this occurs, PSP staff will convene a meeting quickly to resolve the decision.

# Manual 18, Salmon Recovery Grants, January 2022

## Appendix I: SRFB Amendment Request Authority Matrix<sup>1</sup>

Sponsors may appeal any decision to the SRFB. Use the [amendment request template](#) to submit a request to an RCO grants manager.

Consult means the lead entity obtains a decision from its technical and citizens committees. Puget Sound lead entities must consult the Puget Sound Partnership for cost increases using PSAR funds.

Amendment Request	Lead Entity	RCO Director	SRFB Subcommittee	SRFB Technical Review	SRFB	Example
<b>All Project Types</b>						
Increase project funds due to project overruns <sup>2</sup>	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	The site had different soil types than expected and it cost more than anticipated to do the geotechnical analysis, design, and install the culvert.

<sup>1</sup>Adopted June 9, 2005, revised December 8, 2011

<sup>2</sup>Cost increases may be granted only if funding is available.

Amendment Request	Lead Entity	RCO Director	SRFB Subcommittee	SRFB Technical Review	SRFB	Example
						Sponsor now requests an increase in SRFB funds.
Increase/decrease project scope (no funding change)	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	<p>Sponsor planted 3,000 trees and shrubs on 3 acres of riparian habitat, as outlined in the contract. Funds remain and the sponsor wants to plant an additional 100 trees and shrubs on adjacent acres.</p> <p>Sponsor plans to replace two barrier culverts. After designing the project, sponsor only has funds to install one culvert. Sponsor requests a scope reduction, but still need to use all the funds.</p>
Change project type	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	Sponsor proposed to purchase floodplain or riparian habitat and reconnect a side channel on a portion of the site. Sponsor now proposes to purchase the land only.
Transfer sponsorship	Consult	May approve				Original sponsor is unable to start or complete the work and

Amendment Request	Lead Entity	RCO Director	SRFB Subcommittee	SRFB Technical Review	SRFB	Example
						requests a different sponsor finish the project.
Reduce match	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	Sponsor received \$75,000 from SRFB and provided \$33,000 (30 percent) in match for a total project cost of \$108,000. Later, the sponsor could raise only \$14,000 (15 percent) in match for a total project cost of \$89,000. Sponsor requests a match reduction of 57 percent (\$19,000/\$33,000) and corresponding scope reduction.
<b>Acquisition Projects</b>						
Change site to a contiguous site	Consult	May approve site add/change		Available to review change		Sponsor proposed to purchase six parcels. One of the parcels is not available and sponsor asks to buy a different contiguous site.
Change site to a non-contiguous site	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	Sponsor proposed to purchase four parcels. One of the parcels is not available and sponsor asks to buy a different site on a different part of the river.

Amendment Request	Lead Entity	RCO Director	SRFB Subcommittee	SRFB Technical Review	SRFB	Example
Pay more than fair market value (no increase in funding)		May approve up to 10 percent	May approve more than 10 percent		May approve more than 20 percent	Sponsor and landowner negotiate a purchase price above the fair market value.
<b>Restoration Projects</b>						
Significant change in the project location	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	Sponsor is unable to replace a culvert at the proposed location and asks to replace a culvert on another river, Water Resource Inventory Area, or to benefit different fish.
<b>Studies and Assessment Projects</b>						
Significant change in the location of study	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	Sponsor proposed to inventory barriers on a specific river and later asks to inventory another river, Water Resource Inventory Area, or to benefit different fish.

Change type of study	Consult	May approve or recommend	May approve or recommend	Available to review change	May approve	Sponsor proposed to do an assessment on forage fish but after more research determines an inventory of barriers is more important.
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## Salmon Recovery Funding Board Briefing Memo

### APPROVED BY RCO DIRECTOR MEGAN DUFFY

**Meeting Date:** August 3, 2022  
**Title:** Operating and Capital Budget Requests for 2023-2025  
**Prepared By:** Brock Milliern, Policy and Legislative Director

#### Summary

The Recreation and Conservation Office (RCO) will submit its 2023-25 biennial budget request to the Office of Financial Management in September 2022. RCO's request will include the funding levels selected by the Salmon Recovery Funding Board (Board) at its August 2022 special meeting. This memo presents information for consideration in setting the budget request. A recommended funding level for the Puget Sound Acquisition and Restoration grant program will also be presented at the August 2022 board meeting, based on discussions with the Puget Sound Partnership.

#### Board Action Requested

This item will be a:

- Request for Decision
- Request for Direction
- Briefing

### Background

In August of every even year both the Salmon Recovery Funding Board (Board) and the Recreation and Conservation Funding Board determines the appropriate funding to request for programs under their respective authorities. These requests are submitted in September, among others made by RCO, which are then assessed by the Governor's Office, and subsequently the Legislature to be implemented in the 2023-25 biennium

### Agency Operating Budget

Funding to support RCO administration comes primarily from the administrative rate of our capital appropriations and dedicated accounts. RCO typically receives limited general funds in the operating budget for the Governor's Salmon Recovery Office (GSRO), Washington Invasives Species Council and small portions of other staff costs. In 2022 RCO received \$75 million for salmon recovery work and \$300 thousand for boating safety in the supplemental budget.

The 2023-25 operating budget outlook is predicted to have the usual pressures. The anticipated economic retraction associated with the global pandemic did not materialize, though there is still caution given the instability of some market and economic indicators like interest rates, inflation, and stock market fluctuation. The most recent operating revenue forecast showed an increase of \$1.46 billion for the current biennium and an increase of \$600 million for the 2023-25 biennium.

*Lead Entity and Regional Capacity*

RCO proposes to submit a decision package requesting additional operating funding to support lead entity and regional recovery organization capacity.

Lead entities are funded with a combination of Capital and Operating dollars, based on the following split: \$974,000 Operating and \$2,400,000 Capital. Staff are currently assessing different options for determining an increase to the base amount of lead entity capacity funding, including cost of living, inflation as a basis for adjustment, or the equivalent of one full-time employee for each lead entity.

Below is a table of options for increasing lead entity capacity. The increase would be requested in the Operating budget, keeping the Capital budget allocation at \$2,400,000.

Option	Total Cost	Capital	% Capital	Operating	% Operating	% Increase
<b>25% inflation</b>	\$4,883,000	\$2,400,000	49%	\$2,483,000	51%	45%
<b>43% inflation</b>	\$5,362,520	\$2,400,000	45%	\$2,962,520	55%	59%
<b>COLA</b>	\$5,486,126	\$2,400,000	44%	\$3,086,126	56%	63%
<b>65% inflation</b>	\$5,948,600	\$2,400,000	40%	\$3,548,600	60%	76%
<b>72% inflation</b>	\$6,219,480	\$2,400,000	39%	\$3,819,480	61%	84%
<b>Full FTE</b>	\$7,643,000	\$2,400,000	31%	\$5,243,000	69%	127%

Staff are also working with the Lower Columbia, Coast, Middle Columbia, Upper Columbia and Snake regional recovery organizations to develop a proposal to request operating dollars to support updating recovery plan strategies, implementing key initiatives, and responding to new challenges or opportunities. These five regions

currently receive federal funding only to support their capacity. Collectively they receive \$3.6 million in PCSRF funding per biennium.

## Agency Capital Budget

### Bond Funding Capacity

The capital budget outlook is currently stable, barring further spikes in interest rates or drastic changes in other economic factors. Estimated bond capacity in the 2023-25 biennium from the most recent revenue forecast is \$4.112 billion, which is a \$147.3 million increase over the 2022 supplemental enacted bond model. Competing pressures for bond funding in the upcoming biennium include possible funding for a new Western State Hospital, estimated to cost \$600 million.

### Previous Funding Levels

**Table 1. Historic Funding Levels for Salmon Projects (all figures shown in millions)**

Biennium	Agency Request	Agency Appropriation	Federal Award	State Match Required
05-07	\$30.0	\$18.0	\$47.9	\$15.8
07-09	\$42.0	\$18.0	\$46.9	\$15.5
09-11	\$24.0	\$10.0	\$54.0	\$17.8
11-13	\$19.8	\$10.0	\$50.0	\$16.5
13-15	\$40.0	\$15.0	\$40.5	\$13.4
15-17	\$40.0	\$16.5	\$38.5	\$12.7
17-19	\$55.3	\$16.5	\$37.4	\$12.4
19-21	\$88.9	\$25.0	\$36.9	\$12.18
21-23	\$60.0	\$30.0	\$48.0	\$15.84
<b>Average</b>	<b>\$44.40</b>	<b>\$17.67</b>	<b>\$44.46</b>	<b>\$14.68</b>

### Federal Funding Levels

RCO receives annual federal Pacific Coastal Salmon Recovery Fund (PCSRF) awards administered through the National Oceanic and Atmospheric Administration (NOAA). The state is required to match PCSRF at a minimum of 33 percent. RCO applies for the PCSRF award each winter and receives funding in August. Funds are authorized to be spent in the biennial budget.

RCO will request an authorization to spend **\$75 million** in PCSRF and other federal awards, which is the total potential grant award expected during the 2023-25 biennium.

## Salmon Recovery Funding Board Grant Program

A couple of factors can influence the amount of capital funding RCO requests for the state portion of the Board's grant program:

- The amount needed to match federal PCSRF.
- The number of project applications and their requested funding amounts.

## Federal Pacific Coastal Recovery Funds Match

PCSRF provides a significant portion of the funds necessary for salmon recovery in Washington and requires a minimum 33 percent match from the state. The state bond funds appropriated for the Board grant program are used for match. In years when the legislature has appropriated less than the full 33 percent, RCO has relied on a portion of the bonds appropriated for the PSAR and FFFPP to meet the requirement. However, this is risky as the Puget Sound Partnership may need to use PSAR as match for federal funding it receives from the Environmental Protection Agency (EPA).

The 2020 and 2021 PCSRF awards brought in \$36.9 million of federal funds (\$18.5 million for fiscal year 2020 and \$18.4 million for fiscal year 2021), and the minimum state match was \$12.18 million. RCO has been notified that the 2022 federal award will be \$24 million, but RCO does not know the award for 2023 or 2024. Assuming Washington will receive a similar amount to the most recent awards of \$24 million, two \$24 million awards would equate to a minimum of \$15.84 million in state matching funds needed. For context, table 1 lists historic funding levels of both state and federal funds since 2005.

## Requests for Grant Funding

At the September 2019 Board meeting the Board directed RCO to develop a project list for salmon recovery. The planned project forecast list (PPFL) was developed to provide an overview of projects lead entities estimate could be complete in a two-year work window. The PPFL which was created by the lead entities, is used as a basis for budget requests, and a tool to clearly outline the need for salmon recovery funding. This biennium list totals \$453.4 million.

In the 2022 salmon recovery grant round there were 188 applications. The grant request is \$144.3 million, with \$72.8 million in match for a total of \$217.1 million.

The capital funding categories would also include:

- A. \$2.4 million for lead entity capacity
- B. \$0.64 million for Regional Fish Enhancement Group project planning costs
- C. Projects
- D. RCO administration

## RCO Managed Grant Programs

Of the six salmon programs administered by RCO, five are managed jointly with other agencies or organizations: Estuary and Salmon Restoration Program (ESRP), Puget Sound Acquisition and Restoration Program (PSAR), Washington Coast Restoration and Resiliency Initiative (WCRRI) grants, Brian Abbott Fish Barrier Removal Board grants, and Family Forest Fish Passage Program (FFFPP). Budget requests for these programs will be determined in consultation with the other managing entities.

The Board has exclusive authority over the SRFB grant program and shares authority over the PSAR program with the Puget Sound Partnership.

This decision will focus exclusively on the Board grant program. However, the Board will be asked to support the funding requests in those other grant programs.

## Next Steps

Following Board approval, RCO will submit its 2023-25 biennial budget request to OFM in mid-September 2022.

## Motions

**Move** to approve a bond fund amount of \$\_\_\_\_\_ for Salmon Recovery Funding Board funded projects, including funding for RCO administration, Lead Entity capacity, RFEG project planning costs, and request authority to spend up to \$75 million in PCSRF funds.

Move to request additional operating funds for Lead Entity capacity.

Move to request operating funds to provide additional support for the following regional recovery organizations: Coast, Lower Columbia, Middle Columbia, Upper Columbia and Snake.

Move to support the funding requests of our partners:

- \$65-70 million in the Puget Sound Acquisition and Recovery program
- The Brian Abbott Fish Barrier Removal Board program, funding to be determined.
- \$20 million in the Estuary and Salmon Restoration Program.
- The WA Coast Restoration and Resiliency Initiative, funding to be determined.
- The Family Forest Fish Passage Program, funding to be determined.