

MEMORANDUM

Date: August 30, 2022
To: Chehalis Basin Board
From: Andrea McNamara Doyle, OCB Director
Re: 2023-2025 Budget Development Process

Overview

At the September 1, 2022 Board meeting, you will be asked to provide direction on a series of topics regarding the 2023-25 biennium budget development process, specifically the criteria and process for identifying Integrated projects and the target range for 2023-25 budget recommendations. The purpose of this memorandum is to preview the topics that will be presented to you and questions for your consideration in advance of the meeting.

High-level Schedule

Below is a summary of the high-level proposed 2023-25 budget development process schedule previewed during the August 4 Board meeting.

- September 2022: Ecology issues \$70M placeholder to governor and legislature
- September 1 Board Meeting: Board considers target range for 2023-25 budget, discuss criteria for Integrated projects, and variables to consider for next biennium's overall process
- September 30 Special Board Meeting: Board budget work session to preview and provide direction on the range of projects and actions being proposed by OCB and its partners
- October 6 Board Meeting: Board previews and provides direction on preliminary draft budget scenarios
- November 3 Board Meeting: Board provides direction and potentially approves draft 2023-25 budget recommendation to Governor (level of detail TBD)
- December 2022: Governor releases draft capital budget
- Late-Feb / mid-March 2023: House and Senate release their draft capital budgets
- Jan, Feb, and Mar 2023: Board deliberations on detail of 2023-25 budget scenarios
- April 2023: Board approves final 2023-2025 budget spending plan

Question for Board:

- Do you have questions or revisions to the high-level schedule and structure for developing 2023-25 budget recommendations?

Integrated Project Criteria and Process

As discussed during the August 4 Board meeting, the 2023-25 budget is anticipated to be divided between the four major budget categories being used this biennium:

- Aquatic species and habitat restoration
- Flood damage reduction
- Integrated projects and activities
- Core OCB staffing and Board operations, oversight, and contractor support

Some Board members and Strategy partners have expressed interest in more clearly defining the criteria and process for identifying and funding Integrated projects. Below is draft criteria and process for Board consideration.

Criteria for determining whether to fund an action through Integrated funding

Integrated projects, analyses, and programmatic activities should meet the following criteria:

- **Intent:** The activity is intended to advance both the habitat restoration and the flood damage reduction goals of the Chehalis Basin Strategy, and its stated intent reflects those dual goals.
- **Expected Benefits:** The proposed work will substantially address both habitat restoration and flood damage reduction goals. (Note that this does not require an equal emphasis.) For projects, this could include expected measurable benefits for habitat and flood protection.
- **Indivisible:** The habitat and flood-related elements of the work cannot be easily or meaningfully separated into separate funded activities or doing so would be detrimental to the success or effectiveness of the work.

Process for determining allocation of funding to Flood, Aquatic Species, and Integrated buckets

- OCB and its partners (e.g., ASRP Steering Committee, Chehalis River Basin Flood Authority, local governments, etc.) develop and provide budget estimates and recommendations for different work elements to OCB.
- OCB staff consolidates the funding recommendations from Strategy partners into draft budget proposals for the Board to consider.

- In preparing for the Board's review, OCB staff assign each budget line item to the flood damage reduction, aquatic species and habitat restoration, or integrated funding categories. Integrated projects must meet the criteria listed above.
- The Board decides how Strategy funding is allocated, including the division across flood damage reduction, aquatic species and habitat, and integrated funding categories. The Board also decides the relative priorities within each category. The Board may choose to recategorize or reprioritize projects if they disagree with the OCB staff's recommendations.

Questions for Board:

- What are your thoughts on the criteria and process for identifying Integrated projects? Do you have any suggested additions or revisions?

Variables to Consider During Budget Development Process

As discussed during the August 4 Board meeting, there are a number of different variables the Board will need to consider during the 2023-25 budget development process. Below is a list of questions that surface some of these variables for your consideration, though it is not meant to be exhaustive. The focus of the September 1 Board meeting will be to focus on your preferred range for the total target budget amount as we develop 2023-25 budget scenarios and rationale. Your direction on the other questions at future Board meetings and budget work sessions will help staff as we develop draft 2023-25 budget scenarios for your future consideration.

- What is your preferred range for the total target budget amount as we develop 2023-25 budget scenarios and rationale? E.g., should the Board recommend level funding (\$70M) or a higher or lower amount, and what is your rationale?
- What is your preferred division across flood damage reduction, habitat restoration, and integrated funding categories? E.g., should flood damage reduction and aquatic species habitat restoration receive equal funding? Should Integrated actions be prioritized because they provide fish and flood benefits?
- How should the Board consider prioritizing actions or projects when the total budget requests received are likely to be significantly higher than the Board's recommended total budget amount? Should the Board consider enlisting a grant-writer to leverage state capital funds to pursue federal and private funding opportunities?
- How should the uncertainty of the timing of the final SEPA and NEPA EISs for the proposed flood retention facility be considered?

- How should the uncertainty of the level of detail and analyses for the LAND be considered?
- Should the Board consider setting aside “reserve” funds similarly to how you did for the 2021-23 biennium?
- Are there other stipulations you want to put on the budget, e.g., do you want to require 6 of 7 Board members to approve the budget?

Questions for future Board consideration:

- Are some questions higher priority for the Board to discuss? What other questions or variables should the Board consider?

Next Steps

At the September 1 Board meeting, the Board will be asked to provide direction and participate in small group discussion on the criteria and process for identifying Integrated projects and the target range for 2023-25 budget recommendations.