

MEMORANDUM

Date: January 04, 2019
To: Chehalis Basin Board
From: Andrea McNamara Doyle, Director, Office of Chehalis Basin
Re: Governor's Budget Proposals for Chehalis Basin Strategy and Office of Chehalis Basin

Background & Summary

The Chehalis Basin Board has recommended capital budget funding in the amount of \$73.2 million for the 2019-2021 biennium. Additionally, the Department of Ecology requested \$1.46 million in state general fund appropriations to support the operations of the new Office of Chehalis Basin.

On December 13, 2018, Governor Inslee released his capital and operating budget proposals for the 2019-2021 biennium. In those budgets, he included \$50 million of capital construction bond funding for the Chehalis Basin Strategy and \$1.46 million of state general funds for the operations of the Office of Chehalis Basin.

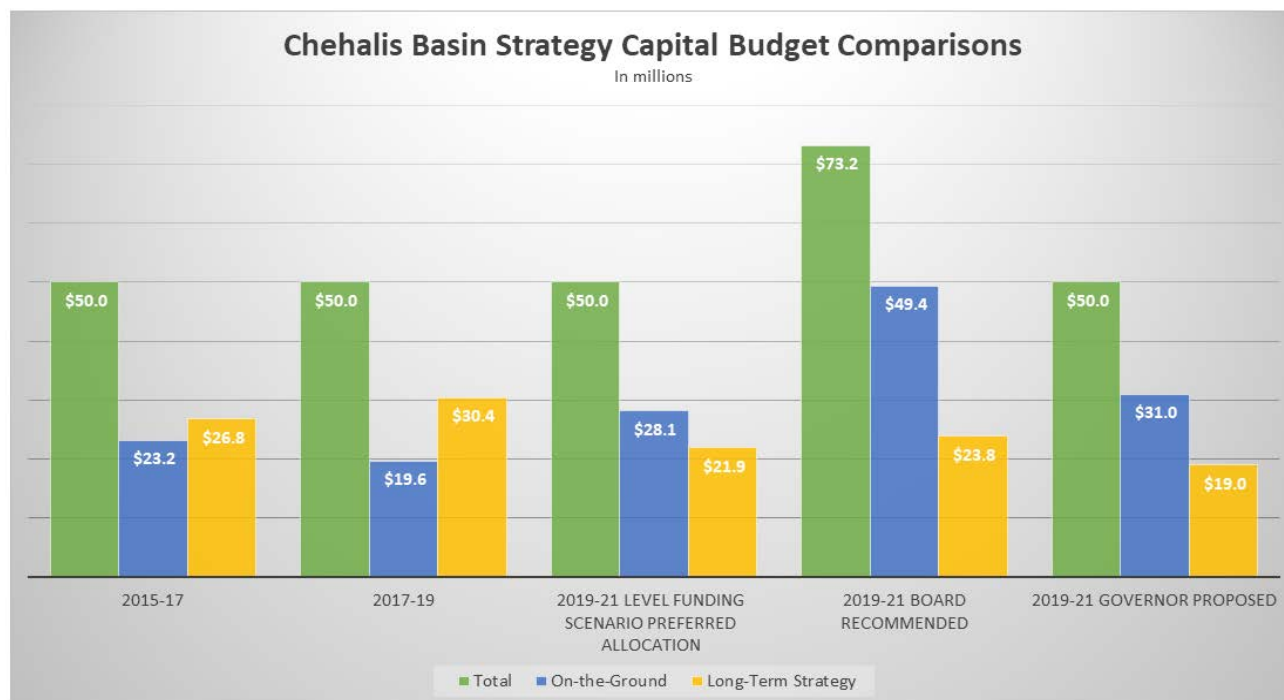
Governor's Capital Budget Proposal

- \$50 million of state capital construction bond funding is provided for continued development and implementation of the Chehalis Basin Strategy, including \$31 million for on-the-ground projects and \$19 million for on-going work on the long-term strategy. This \$50 million is \$20 million more than the Governor included in his proposed budget for the 2017-2019 biennium, and would continue the same level of funding the legislature appropriated for this current 2017-2019 biennium and the previous 2015-2017 biennium.
- Additional proviso language similar to what was included in the 2017-2019 budget is included that gives the Board authority to shift money between funding categories as needed to meet the objectives of the appropriations. *See attached proviso language.*
- The authority to accept and spend an additional \$10 million of federal funding is carried forward from the current biennium, but there is not any new federal spending authority.

The distribution between on-the-ground funding and long-term strategy funding in the Governor's proposed budget is similar, but not the same, as what the Board considered when evaluating a level-funding scenario for next biennium. In evaluating a level-funding scenario for next biennium, the Board determined that \$21.9 million would be needed to advance the long-term strategy and \$28.1 million would be needed for on-the-ground projects to maintain a comparable level of effort in 2019-2021. The Board's decision to recommend the larger \$73.2 million capital appropriation was based on the Board's desire to invest more aggressively next biennium in constructing the Aquatic Species Restoration Plan (ASRP) early action reach projects (up to \$25 million to construct all projects currently under design and to begin new designs for five additional reach restoration projects) and provide \$10 million for the first phase of construction of the Aberdeen/Hoquiam North Shore Levee project.

The Governor's budget staff has confirmed that the \$19 million and \$31 million allocations specified in the Governor's proposed budget were simply pro rata reductions taken from the Board's \$73.2 million request and were not intended to prescribe a direction or preference for which specific elements of the Board's recommended investments should be prioritized within the on-the-ground projects and long-term strategy activities for funding next biennium.

The figures below summarize the differences between prior biennial capital budgets and the various proposals under consideration by the Board and proposed by the Governor for the 2019-2021 biennium.



2019-2021 Budget Options

BUDGET ELEMENT	2017-2019 (BUDGETED)	2019-2021 (LEVEL FUNDING)	2019-2021 (MORE AGGRESSIVE)
ADVANCING THE LONG-TERM STRATEGY			
Core OCB Staff	N/A	(Operating)	(Operating)
Overall Participation	\$4.7M	\$4.9M	\$4.9M
Development of Long-Term Strategy	\$1.1M	\$600K	\$600K
Continued Development of ASRP	\$6.3M	\$3.5M	\$5.35M
Restorative Flood Protection	\$5.5M	(CFAR)	(CFAR)
SEPA/NEPA EIS for Flood Retention Facility/Airport Levee	\$12.5M	\$12.5M	\$12.5M
Forest Practices Study	\$330K	\$445K	\$445K
Sub-Total	\$30.4M	\$21.9M	\$23.8M
ON-THE-GROUND ACTIONS			
ASRP Implementation	\$10M	\$16.5M	\$32.65M
Aberdeen/Hoquiam North Shore Levee	\$1.5M	\$4.8M	\$10M
Floodproofing/Floodplain Management/CFAR	\$400K	\$3M	\$3M
Local Projects	\$7.7M	\$3.8M	\$3.8M
Sub-Total	\$19.6M	\$28.1M	\$50M
TOTAL	\$50M	\$50M	\$73.2M

Governor's Operating Budget Proposal

- \$1.46 million of State General Fund money is provided to support the on-going operations of Office of Chehalis Basin. This is the full amount of what was requested, and will fully fund the core staff and administration of the Office.
- This is a new source of funds for the Strategy and represents the first operating budget funds that would be appropriated to our work.

Next Steps

At the January Board meeting, the Board will need to discuss how to respond to the Governor's proposed capital and operating budgets. It will be important for the Board to consider and provide direction to OCB Staff regarding how to communicate the effect that a \$50 million appropriation would have on the Board's priorities for aggressively pursuing its mission next biennium. Assuming the Board continues to recommend a \$73.2 million capital budget appropriation to the legislature, it will also be important to develop a legislative strategy and common messages for why an increase over the Governor's proposed budget is critical.

More specifically, Board members and OCB staff need to be prepared to respond to questions from legislators and their staff during session about how the Board would allocate the investment of level funding versus any additional funds beyond the \$50 million proposed in the Governor's budget. Would you rely on the allocation identified in the level-funding scenario considered by the Board in October? If not, do you want to identify specific budget elements or projects that will or won't be funded at various funding levels, or identify your relative priorities in some other manner? In addition to receiving the Board's direction on funding priorities and messages, a separate agenda topic and memorandum addresses the need for the Board's input on the legislative strategy and process for Board members' engagement during the legislative session.

Attachments:

1. Excerpt from Governor's proposed Capital Budget (Z-0320.3/19) re: OCB budget (Sec 3099, p. 110)
2. OCB handout re: Chehalis Basin Board's Budget Recommendation for 2019-2021

Governor's proposed Capital Budget (Z-0320.3/19)

Re: OCB budget (Sec 3099, p. 110)

2 NEW SECTION. **Sec. 3099. FOR THE DEPARTMENT OF ECOLOGY**

3 2019-21 Chehalis Basin Strategy (40000209)

4 The appropriation in this section is subject to the following
5 conditions and limitations:

6 (1) Up to \$19,000,000 of the appropriation is for advancing the
7 long-term strategy for the Chehalis basin projects to reduce flood
8 damage and restore aquatic species including project level
9 environmental review, data collection, engineering design of future
10 construction projects, feasibility analysis, and engagement of state
11 agencies, tribes, and other parties.

12 (2) Up to \$31,000,000 of the appropriation is for construction of
13 local priority flood protection and habitat restoration projects.

14 (3) The office of Chehalis basin board has discretion to allocate
15 the funding between subsections (1) and (2) of this section if needed
16 to meet the objectives of this appropriation.

17 (4) Up to one and a half percent of the appropriation provided in
18 this section may be used by the recreation and conservation office to
19 administer contracts associated with the subprojects funded through
20 this section. Contract administration includes, but is not limited
21 to: Drafting and amending contracts, reviewing and approving
22 invoices, tracking expenditures, and performing field inspections to
23 assess project status when conducting similar assessments related to
24 other agency contracts in the same geographic area.

25 Appropriation:

26 State Building Construction Account—State.	\$50,000,000
27 Prior Biennia (Expenditures).	\$0
28 Future Biennia (Projected Costs).	\$200,000,000
29 TOTAL.	\$250,000,000

Chehalis Basin Board's Budget Recommendation for 2019-2021

CHEHALIS BASIN BOARD: 2019-2021 CAPITAL BUDGET RECOMMENDATION



The Chehalis Basin Board (Board) unanimously recommends a \$73.2 Million 2019-2021 Capital Budget appropriation to continue aggressively pursuing the Chehalis Basin Strategy.

The time is right to build on the successes achieved to date.

- Building on Ecology's Chehalis Basin Programmatic Environmental Impact Statement (PEIS) (completed in June 2017), successful completion of dozens of small-scale projects, and careful study, planning, and design efforts, this 2019-2021 budget request is needed to aggressively pursue the next steps in the strategy to reduce catastrophic flood damages and restore habitat for aquatic species.
- Basin stakeholders remain committed to the Strategy's integrated approach, creating unique opportunities to address complex fish & flood challenges in a collaborative way.



Aerial photo of Chehalis River

The 2019-2021 budget request will fund the next phase of priority aquatic species habitat restoration and flood damage reduction projects and allow the Board to complete its development of the long-term strategy. More specifically, the \$73.2 Million will make possible:

- **Construction of an unprecedented extent of aquatic species habitat restoration** — up to five, one- to two-mile-long restoration projects in five different sub-basins and several new fish passage correction projects.
- **Construction of the first phase of the North Shore Levee and seven other local flood damage reduction projects** to protect the cities of Aberdeen and Hoquiam, as well as other critical infrastructure throughout the basin.
- **Completion of the state and federal EISs** on the proposed flood retention facility near the headwaters of the Chehalis River and raising of the Chehalis-Centralia Airport levee, which will allow the Board to make a final recommendation on whether and how to proceed with the flood retention facility and levee improvements in 2020 before the next capital budget cycle.
- **Beginning implementation of a basin-wide community flood assistance and resilience program** that will provide technical assistance and grant funds to local jurisdictions for priority property protection actions.
- **Completion of the Aquatic Species Restoration Plan**, which will detail the targeted actions and locations for the long-term investments needed to restore several hundred miles of priority habitat and achieve larger and more resilient Chinook populations.
- **Completion of the long-term capital investment strategy required by statute** to prioritize the detailed actions needed to reduce catastrophic flood damage and restore aquatic species habitat.

While success may seem more expensive in the short run, failure to act aggressively now will be more costly in the long run. Failure to respond to these dual fish and flood challenges is projected to result in more than \$3.5 Billion in future flood-related damage as well as possible ESA listings in the basin, particularly when factoring in climate change.

- Damage includes costs associated with I-5 closures, crop losses, destruction of public infrastructure, and other public and private property.
- With climate change, projections show more rapid and severe loss of salmon, including likely ESA listings and possible extinction of spring Chinook within the basin.
- With climate change, projections also show bigger, more frequent and expensive catastrophic floods are likely.



Chehalis Basin during 2007 flood

Proposed 2019-2021 Projects

Aquatic Species Restoration Plan "Early Action" Reach Restoration Projects	Local Flood Damage Reduction Projects Chehalis River Basin Flood Authority	Aquatic Species Restoration Plan Potential Fish Barrier Correction or Other Restoration Projects
<p>Five Subbasin Reaches, including:</p> <ul style="list-style-type: none"> • Wynoochee (in Grays Harbor County) • South Fork Chehalis, Stillman Creek (in Lewis County) • East Fork Satsop (in Grays Harbor County) • Skookumchuck (in Thurston County) • South Fork Newaukum (in Lewis County) 	<ul style="list-style-type: none"> • Fry Creek Restoration & Flood Reduction Project – City of Aberdeen • China Creek Flood and Habitat Mitigation, Phase 2 – City of Centralia • Northshore Levee (West Segment) – City of Hoquiam • Chehalis Flood Storage and Habitat Enhancement Master Plan – City of Chehalis • Grays Harbor County Keys Road Flood Protection – Grays Harbor County • Berwick Creek Flood Reduction – Port of Chehalis • Chehalis River Basin Flood Control Zone District, Comprehensive Flood Hazard Management Plan – Lewis County within the Chehalis River Basin 	<ul style="list-style-type: none"> • Newaukum/Cascades Ecological Diversity Region (2 projects) • Humptulips/Grays Harbor Tributaries Ecological Diversity Region • Satsop/Lower Chehalis Tributaries Ecological Diversity Region (3 projects) • Wynoochee/Olympic Mountains Ecological Diversity Region

*Each early action reach is approximately 2 miles in length, estimated \$4 million investment per reach.

*The Chehalis Basin Board has recommended a \$3.8 million investment to implement these projects.

*Potential projects represent anticipated total number of projects and geographic range; commitment to fund specific projects will occur after solicitation and ranking of proposals in 2019. Estimated \$4 million total investment.

Elements of the Chehalis Basin Strategy



For More Information

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