

***Letter from the Governor
December 18, 2012***

Dear Friends

Subject: Building a Better Future

Through the past eight years, we've been through a lot together. But nothing has tested our resolve like the Great Recession of the past four years. Together we've seen the shape of state government change in drastic ways. We've reduced existing and projected spending by more than \$11 billion, and have led the largest reform our government has seen in decades. From landmark pension and debt service reforms; to the elimination of boards and commissions; to closures of state institutions and agency consolidation; and to hiring, travel and equipment purchase freezes, we've reduced spending and saved money in every way possible.

Now, as I present my 2013–15 budget, another \$900 million shortfall is forecast. This, combined with the state Supreme Court-mandated McCleary decision for education, presents a significant challenge. As required by law, my budget staff prepared a biennial budget that relies solely on existing revenues. But that reliance means \$900 million more in program reductions. On top of the reductions we've already made, cuts of that magnitude would have unacceptable consequences like:

- Reducing levy equalization funding to local school districts by \$100 million.
- Imposing \$52 million in across-the-board cuts to public universities and colleges.
- Eliminating the State Food Assistance Program and other services for our most vulnerable citizens.

As a state, trying to rebuild in the wake of the past four years, those are not cuts that protect our people and build our future.

Instead, I have proposed a balanced and responsible budget—one that includes program reductions as well as reasonable solutions to maintain essential services. And I am putting forward a bold plan to begin addressing the state's paramount duty of funding our basic education needs as required by our state constitution and interpreted by the state Supreme Court in its McCleary decision.

To make a \$1 billion down payment on K-12 education I've proposed a wholesale excise tax on gasoline and diesel fuel, dedicated to pay the full costs of pupil transportation services over the next six years. By using transportation revenue to pay for pupil transportation, state resources are freed-up for full-day kindergarten, class size reduction, professional development, and the maintenance, supplies and operating enhancements critical for our schools.

During the transition to relying entirely on transportation excise taxes to fund pupil transportation, I've also proposed the extension of two temporary tax surcharges. A 0.3 percent increase to the business and occupation tax and a 50-cent-per-gallon beer tax, over the course of three and a half years, will yield \$636 million for school enhancements in 2013–15 and \$565 million in 2015–17.

Together these three elements will allow us to put a \$1 billion down payment on the \$3.4 billion in new K-12 spending that state has committed to over the next six years.

In addition, my budget focuses on enhancements in areas critical to the future success of our state, including prison safety, Puget Sound, early childhood education, and targeted investments in higher education. I've also proposed ways to cover critical funding shortfalls in our College Bound Scholarship program and state parks system. And my budget invests in ways to address mental health challenges, Chehalis River flooding, and water shortages in Eastern Washington.

My goal with this budget was simple—to give our incoming Governor and Legislature a balanced and sustainable plan that addresses our fiscal problem and preserves services that are pivotal to our future.

Complete information on the budget can be found here
http://www.governor.wa.gov/priorities/budget/budget_rollout.pdf
http://www.governor.wa.gov/priorities/budget/policy_briefs.pdf
<http://www.ofm.wa.gov/budget13/capital/detail/105detl.pdf>

I wish you and your family a very happy holiday season.

Thank you,

Chris



REDUCING FLOOD DAMAGE IN THE CHEHALIS BASIN

Over the past century, major floods in the Chehalis River Basin have occurred about twice each decade, causing loss of human life and livestock, and damage to homes, businesses, farms, roads and railways. The worst floods on record have happened recently, with major, “100-year” floods in 1990, 1996, 2007 and 2009. The economic damages of the 2007 flood alone were estimated at more than \$900 million, with one-third of that damage coming from disruption and damage to the transportation system, including Interstate 5, other state highways and rail lines.



Despite the frequency of major floods, agreement on how to reduce flood damage has eluded basin leaders for decades. The Chehalis is a large basin, and effective basin-wide solutions can be costly. Minimizing flood damage in one part of the basin must be done in a way that doesn’t make flooding worse downstream. The basin is also of high value to salmon — any solutions must address both flood damage and fish habitat. After the 2007 flood, the Chehalis River Basin Flood Authority was created to focus on these challenges.

In August 2012, Governor Gregoire tasked a small work group to develop recommendations for flood damage reduction projects. The group reached consensus and developed recommendations that other basin leaders and the Governor could consider for endorsement and action. The Governor is grateful for the work of this group, the Chehalis Basin Flood Authority and a host of local organizations, many of which have been instrumental over the past five years in identifying projects to reduce flood damage and initiating \$5 million in construction projects.

Governor Gregoire’s proposed 2013–15 budget directs \$28.2 million in capital funds to activities that offer a basin-wide approach to reducing flood damage. Money is appropriated to the Office of Financial Management to complete preliminary feasibility studies of large-scale projects and construct smaller projects that address flooding, fish ecosystems and land use. These important investments will lead to a reduction in flood damage, healthier ecosystems and more reliable transportation routes for future generations.

The activities recommended for funding in the capital budget are those that accomplish the following goals:

Design alternatives for large-scale capital projects (\$9.2 million)

Preliminary feasibility studies on a large, upstream water retention structure have been done. The next steps are to refine the engineering designs, further evaluate dam safety, identify more specifically the implications for water quality and quantity and for fish, and complete an economic benefit assessment. Even with an upstream water retention structure, I-5 would still require major flood protection investments in Chehalis and Centralia. As the evaluation of a large, upstream water retention facility is completed, there also is a need to complete evaluation of I-5 protection alternatives.



Construct smaller-scale local projects (\$10.7 million)

Prioritized projects will be constructed to protect key infrastructure throughout the basin to deliver a measurable reduction in damages from major floods. Examples of projects include protection for the Pe Ell and Montesano wastewater treatment plants and the Bucoda drinking water well, for shorelines and roads for Mary's River lumber and Satsop Business Park, and for homes and businesses in Cosmopolis and Aberdeen.

Construct multipurpose projects that both reduce flood damage and benefit fish (\$4.3 million)

Priority projects that provide benefits for both flood damage reduction and fish habitat enhancement will also be constructed. A coordinated, basin-wide salmon restoration and enhancement program will be developed to identify and prioritize future flood plain projects. Examples of projects include flood plain restoration activities that increase flood water storage and provide fish habitat.

Reduce residential damage (\$1.8 million)

To reduce recurring damage to structures affected by floods, funding is provided to implement a program of buyouts and flood proofing of these facilities, and to help local communities better manage their flood plains.

Ensure successful implementation (\$2.2 million)

Active project management, ongoing government-to-government coordination, and technical and permit assistance from state agencies will ensure that all projects and programs related to the Chehalis Flood Basin are successfully coordinated and implemented.

**Chehalis River Basin Flood Damage Reduction
Governor’s 2013-2015 Capital Budget Recommendations
December 18, 2012**

1. Design alternatives for large capital flood projects (basin-level water retention and Interstate 5 protection)	\$9,200,000
2. Construct priority local flood protection projects	\$10,742,000
3. Construct local multipurpose projects that reduce flood damage and benefit fish	\$4,350,000
4. Reduce damages to residential and other structures in the floodplain	\$1,750,000
5. State agency technical assistance and project permitting	\$950,000
6. Basin program and project management	\$1,210,000
TOTAL	\$28,202,000

1. Design alternatives for large scale capital flood projects (basin-level water retention and Interstate 5 protection) (\$9,200,000)

(\$5,600,000) Design alternatives to determine permit feasibility, engineering safety and mitigation requirements for an optimum upstream water retention facility. By December 2014, the work will support a final policy decision on whether to proceed to permitting a water retention facility as a preferred alternative. Planned work will include:

- Engineering analysis of alternatives, including fish passage requirements.
- Hydrology and hydraulic analyses to define inundation and protection levels.
- Quantified environmental impacts to, and mitigation requirements for, fish, water quality and sediment transport.
- Updated costs and benefits of the alternative designs.

(\$3,350,000) Design and engineering analysis on four alternatives for protecting Interstate 5, the airport and key urban areas of Centralia and Chehalis. The work will identify a recommended I-5 flood protection alternative “for budgetary purposes” (one step short of a final NEPA/SEPA preferred alternative). Planned work will include:

- Preferred designs, and scope, schedule and estimated costs, provided for both with and without upstream water retention.
- Preferred designs evaluated in relation to the State’s plan to add capacity to I-5 on the same five mile stretch of the Interstate – by looking at three timing scenarios: I-5 flood project completed before, concurrent with, and after I-5 widening.

(\$250,000) Evaluate the extent of flood damage reduction that could be achieved through a Basin-wide program of smaller-scale projects, as required for the alternative analysis of the large capital flood projects. Describe the relative contribution to flood damage reduction from channel dredging, riparian wetland restoration, forest practices, flood easements on farm lands, road maintenance, removing bridges and constrictions, and removing, protecting, or avoiding floodplain development.

2. Construct priority local flood protection projects (\$10,742,000)

Local flood protection projects to protect key infrastructure, and priority commercial and residential areas, were initially identify, evaluated and prioritized by the Chehalis River Basin Flood Authority. Their list included a balance of projects throughout the Basin, with both Tier 1 (highest priority) and Tier 2 (other important projects) lists. The Authority’s Tier 1 list of priority projects was modified by the Governor’s work group, prior to submittal to the Governor, and then further amended by the Governor’s Office.

The following priority projects are proposed for the 2013-2015 biennium:

LOCATION	PROJECT	2013-2015 ACTION	BENEFIT	COST
Grays Harbor County	Satsop River Floodplain Restoration (Jobs Act proviso’d project)	Complete permitting, construction – remove artificial barriers to meandering river, stop shoreline erosion	Protects 8 agricultural landowners / businesses, and restores floodplain habitat	\$510,000
Grays Harbor County	Elma-Porter flood mitigation project	Design and permit of overflow bridge on Wakefield Road; and installation of culvert in Porter Creek.	Protects 12 homes from flooding. Provides safe passage to hundreds of workers from the Satsop Business Park, commercial farms and Briggs Nursery	\$584,000
Grays Harbor County	Wishkah Road (Kersh) flood levee	Final design, permitting, construction, land acquisition, and home elevation	Provides safe passage, and emergency service access, to 60 homes. Provides flood storage and	\$2,642,000

			floodplain restoration	
Aberdeen	Market Street Dike	Preliminary engineering design, costing, final design and construction – dike improvements	Protects: 80 residences 5 businesses Local adjacent streets	\$670,000
Aberdeen	Wishkah River East Bank Dike and Dike Behind Burger King (Jobs Act project)	Final design and construction – dike improvements	Protects: 30 residences 30 businesses State Highway 101 and local streets	\$410,000
City of Cosmopolis	Mill Creek Dam Improvements	Design, engineering and construction to repair damaged dam	Protects: 325 residents and 130 homes in Cosmopolis 200 residents in South Aberdeen 2 significant businesses (Western Peterbuilt /25 employees, and D4 Sports / 7 employees	\$2,250,000
Montesano	Mary's River Lumber Bank Protection (Jobs Act project)	Final design, permitting and construction – flood water passage, shoreline protection	Protects: 120 jobs at Mary's River Lumber Mill State Highway 107 (bridge) Montesano Municipal Waste Water Treatment Plant.	\$2,000,000
Bucoda	Bucoda Levee Improvement Project (Phase II)	Phase II -- Final design and construction – flood wall and	Protects: Bucoda wellhead and drinking water system	\$305,000

	(Jobs Act proviso'd project)	levee	(sole source of Town's water for drinking and firefighting)	
Town of Pe Ell	Pe Ell wastewater treatment plant	Flood dike to protect wastewater treatment plant	Prevent raw sewage from entering the river during flooding	\$521,000
WA Conservation Commission and Basin conservation districts	Livestock and farm equipment pads and safe evacuation routes	Design, permitting, construction of pads and escape routes	Protects: Farm livestock and equipment Public health as a result of fewer dead animals in the event of a major flood	\$850,000 *
			13-15 TOTAL	\$10,742,000

(* NOTE: This funding includes a geomorphic analysis to help site the evacuation routes and critter pads away from the migration zones of the river. The analysis will help site other floodplain, multipurpose projects.)

3. Construct local multipurpose projects that reduce flood damage and benefit fish (\$4,350,000)

Projects that would provide benefits for flood damage reduction and for environmental enhancement were also evaluated and prioritized. These “multipurpose” projects were further sorted by the Governor’s work group, with three projects recommended for initial implementation. Concurrently, the group recommended the development of a coordinated Basin-wide salmon recovery strategy, to guide selection of future multipurpose projects, and to identify mitigation options for other flood projects, where needed.

The following projects were prioritized for implementation:

PROJECT	DESCRIPTION	13-15 ACTION	BENEFIT	COST
Allen Creek Restoration - along Case Road, just south of 113th Ave. SW, between Littlerock and Maytown	Restore natural functions to the Allen Creek floodplain. Slow the creek down and restore more natural flood flow paths and flood storage. Improve 2100 feet of salmon habitat in the Scatter Creek Watershed.	Design and construct	Environmental benefits for fish and wildlife. Channel reconnection and riparian restoration can store and attenuate flood flows.	\$990,000
Near RM 78 on the Chehalis River	Oxbow reconnection with mainstem of the Chehalis River, with side channel and floodplain storage enhancement. Enhance low elevation areas, side channels, and floodplain habitat with vegetated benches and large woody vegetation.	Design and construct	Riparian cover and off-channel storage store and attenuate flood flows.	\$861,000
Oxbow Lake Reconnection	Oxbow reconnection, riparian restoration of 75 acres, install large woody debris	Design and construct	Increased flood storage and attenuation in floodplain. Winter rearing for fish.	\$1,149,000
Chehalis River Basin	Basin-wide salmon recovery strategy, with objectives, targets and priority projects	Identify multipurpose projects	List of priority projects for flood mitigation and fish enhancement work in the Basin	\$1,350,000
			TOTAL	\$4,350,000

4. Reduce damages to residential and other structures in the floodplain (\$1,750,000)

Implement a strategic program of buyouts and flood proofing for structures that have recurring damage requiring frequent public and private expenditures for repairs after flood events, including development of local damage curves for structures in the floodplain. (Match funding will be requested from the federal government.)

5. State agency technical assistance and project permitting (\$950,000)

The following agencies have substantive roles in the above work:

- Transportation (I-5 protection)
- Ecology (dam safety, water quality, wetlands, floodplain management)
- Fish and Wildlife (fish impacts/enhancement)
- Commerce (land use/local buyout projects)
- Natural Resources (geomorphic analysis)

6. Basin Program and Project Management (\$1,210,000)

- Managing the design and construction work listed above
- Facilitating the Governor's work group
- Convening and facilitating the dam and fish technical committees
- Facilitating the Flood Authority (including the local buyout/floodproofing projects)
- Ongoing intergovernmental coordination