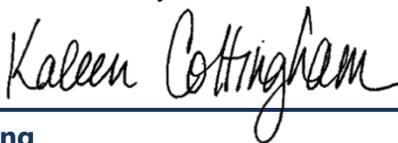


Meeting Date: December 2011  
Title: Policy and Legislative Report  
Prepared By: Steve McLellan, Policy Director

Approved by the Director: 

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**Proposed Action: Briefing**

The following are some policy, budget, and legislative highlights. Staff will provide an update at the meeting of the Salmon Recovery Funding Board (board).

### November 2011 Legislative Special Session/2012 Regular Session

Governor Gregoire has called a 30-day special legislative session beginning November 28 to deal with a sharp decline in state revenues. Overall, the Office of Financial Management (OFM) and legislative budget writers estimate that \$2 billion in spending reductions and/or revenue increases are needed to balance the budget and leave an adequate reserve. Large portions of the budget are protected by the state constitution, so \$2 billion represents about 23% of the unprotected amount. The Governor is offering an "all cuts" budget proposal with a separate proposal to ask voters to raise the sales tax half a cent to buy back cuts in K-12 funding, higher education, corrections, long-term care, and services for the developmentally disabled. Under her plan the proposed tax increase would go to voters in March.

The Governor's proposed budget reduction for RCO represents a 5% general fund cut (consistent with other small agencies). The specifics differ from those submitted by RCO earlier in the summer. Overall the Governor's proposal for RCO would cut lead entity funding by \$25,000. The remainder of the money would be made up through salary shifts, cost savings on the State of the Salmon report, and vacancy savings. The effect on salmon programs is addressed in more detail in Item 5.

The drop in general fund revenues also has implications for the capital budget since debt service is constitutionally limited. The best estimate remains that the revenue decline has eliminated the capacity to pass a supplemental capital budget and that the budget passed last session may need to be slightly trimmed. While November's revenue forecast dropped slightly, it was offset by better than expected interest rates so this assessment of the capital budget situation remains accurate.

The 2012 regular session begins January 9. The agenda is in flux, depending on how far lawmakers get in resolving budget issues during the special session. A major issue is likely to be the Discover Pass. There is legislative interest in changing some provisions (e.g., the transferability of the pass) and early results indicate the pass may not be generating as much

revenue as projected. This has implications for the departments of Fish and Wildlife and Natural Resources, which receive a portion of Discover Pass funds. We also expect that Senator Parlette will propose extending the Habitat and Recreation Lands Coordinating Group which RCO coordinates. Without an extension, that group will sunset at the end of July 2012.

## **Debt Limit Commission**

The Commission on State Debt, which was chartered last session and is chaired by the State Treasurer, has been meeting to hear expert testimony on state debt trends and options to limit or restructure state borrowing. A significant focus has been on how to smooth out cycles in capital spending. To date, there has been a tendency to take on more debt when economic times are good with sharp cutbacks during contractions. A number of Debt Commission members are interested in ways to boost capital spending during downturns and to bank excess capacity during better times. The Commission is required to report recommendations before the end of the year for possible consideration during the 2012 regular session. We will provide an update on any proposals at the board meeting.

## **Puget Sound Action Agenda Update**

The Puget Sound Partnership is finalizing draft strategies for updating the Puget Sound Action Agenda. The drafts will be available for public comment in December 2011. The Puget Sound Partnership Leadership Council is expected to make a final decision on the revised Action Agenda in February 2012.

In September, staff attended stakeholder workgroups to assess how draft Puget Sound strategies and actions will relate to board policies and programs. In October, staff reviewed the draft strategies and provided comments to the Partnership. Staff comments included the following general observations:

- Several of the draft near-term and ongoing actions could affect programs managed by RCO, but it is not yet clear whether any changes to board policies will be needed.
- RCO will be expected to provide regular performance reports on several actions. We have urged that performance reporting be managed to ensure consistency and accuracy, and to avoid duplicative reporting.
- Several draft strategies that are not yet available for review could relate to board programs. These include the land development, upland restoration, salmon recovery, and public access strategies.

Staff will continue to monitor development of the Action Agenda update and keep the board informed.

## **Update on Agricultural Outreach Work Group**

At its December 2010 meeting, the board asked staff to identify (a) how the agricultural community is involved in the project review process in certain areas, (b) whether the responders believed agricultural community involvement is adequate, and (c) challenges and opportunities for improving agricultural community involvement. In April, a workgroup composed of Governor's Salmon Recovery Office (GSRO), State Conservation Commission, and RCO staff surveyed lead entities, conservation districts, and others to respond to the questions. The survey indicated that some areas of the state might benefit from a closer look at the communications between salmon recovery effort and the agricultural community.

The workgroup considered a variety of options to engage in a closer review and implement potential improvements, including existing mechanisms and tools. They determined that the lead entities' existing contractual requirements for regional outreach and communications plans might provide the best opportunity to improve communications between salmon recovery organizations and the agricultural community. This approach would allow for tailored outreach designed to meet the specific challenges and opportunities of individual areas. Staff will provide support for this effort as needed, and will update the board on progress at future meetings.

## **Update on Changes to the Allowable Uses Policy by the Recreation and Conservation Funding Board**

A subcommittee of the Recreation and Conservation Funding Board is developing policy regarding allowable uses of RCO project sites. The policy will help make more consistent and streamlined decisions about whether certain uses are compatible with grant funding. It will give sponsors and staff a clearer understanding of RCO's expectations of how project sites should be used. The changes also will apply to Salmon Recovery Funding Board grants.

The subcommittee will recommend policies that address whether (and under what circumstances) the following uses of RCO project sites are allowable or conversions:

- Livestock grazing;
- Forest practices
- Project maintenance;
- Conveyances of property interests;
- Temporary uses; and
- Communications facilities;

In addition, the subcommittee will recommend a "grey areas" framework for addressing other uses. Later in 2012, staff will bring the policy proposals to both funding boards after the public has an opportunity to comment.