

Meeting Date: December 2011
Title: Addressing General Fund Budget Reductions
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Approved by the Director: *Kateen Cottingham*

Proposed Action: Decision

Summary

At its August 2011 meeting, the Salmon Recovery Funding Board (board) directed lead entities to engage in a 5 and 10 percent budget reduction exercise focused on the state general fund portion of each lead entity budget. This direction came in light of likely budget reductions and directions from the Office of Financial Management for state agencies to provide 5 and 10 percent budget reduction scenarios.

Board staff also requested that lead entities indicate what services or functions would most likely be reduced, curtailed, or eliminated if budget reductions were implemented. In light of likely reductions in federal fiscal year 2012 Pacific Coastal Salmon Recovery Fund (PCSRF) funding, staff also requested that regional organizations engage in a similar budget reduction exercise.

Since then, Governor Gregoire has released her budget reduction alternatives. In that document, the Office of Financial Management identified a \$25,000 cut to lead entity state general fund dollars. This represents a cut of about 2.5 percent to the lead entity state general fund dollars. As of November 18, PCSRF is included in the Congressional Budget for federal fiscal year 2012 at \$65 million. It is uncertain if NOAA will take any additional administrative reductions from that amount before it allocates funds to each state.

At its December 2011 meeting, the board will consider how best to address any potential cuts in lead entity state general fund dollars.

Staff Recommendation

Staff recommends that the board backfill any cuts up to 5 percent in lead entity state general fund dollars.

Staff further recommends that the board have a more detailed discussion regarding funding levels for regional organizations, lead entities, and habitat restoration and protection projects at its April meeting. At that time, staff hopes to know the outcomes of the state legislative session and any potential cuts to the state capital budget. Staff will hopefully know the final target from NOAA for the Pacific Coastal Salmon Recovery Funding level for federal fiscal year 2012.

Proposed Motion Language

Move to adopt that any cuts up to 5 percent in lead entity state general fund dollars in the current biennium be backfilled with returned federal PCSRF funds.

Background

Salmon Recovery Funding Board strategic plan

The board's strategic plan includes the following funding strategy:

Funding Allocation Strategy: Key Actions

Within the limits of the board's budget and priorities, fund projects, monitoring, and human capital in a way that best advances the salmon recovery effort.

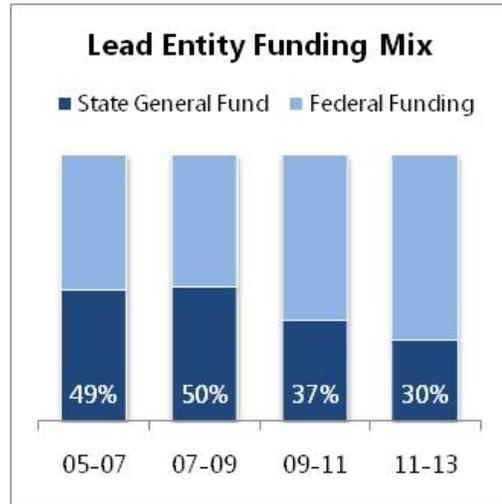
- Provide funding for the following:
 - Projects that produce measureable and sustainable benefits for salmon
 - Monitoring to measure project implementation, effectiveness, and the long-term results of all recovery efforts
 - Human capital that identifies, supports, and implements recovery actions
- Ensure funding practices reflect that a critical part of the board's mission is to fund the habitat restoration and protection projects that constitute the foundation of salmon recovery.
- Support projects that meet regional salmon recovery goals and the goals of other related planning efforts.
- Inform budget decisions by establishing the minimum and maximum funding needed for each focus area (projects, monitoring and human capacity) necessary to support salmon recovery.
- Encourage projects and activities that find innovative ways to achieve goals and realize efficiencies

Funding for human capital supports the roles and responsibilities of the lead entities and regions as described in Attachment A.

Historical lead entity funding and state budget reductions

The board has addressed funding reductions several times in the recent past; resolving issues with state funding cuts by reallocating returned funds. "Returned funds" refers to money previously allocated to a specific grant agreement that is then not used. Reasons can include projects coming in under budget or unable to be implemented because of unforeseen developments.

In previous years, the lead entity state general fund dollars¹ have been reduced in total by about \$615,000 (38%). In the 09-11 budget, the lead entity state general fund dollars were reduced by about \$411,000 and backfilled with returned funds. For the 11-13 biennium, the state appropriation was reduced again by about \$204,000. The board supported continuation of status quo funding for the lead entities and regional organizations. The funds were reallocated from returned funds, reducing the amount of money available for cost overruns and project grants. The effect has been to keep the lead entities funded at the same level as in 1999.



Current state funding and budget reduction exercise

In 2011, the Office of Financial Management requested that the Recreation and Conservation Office (RCO) prepare a 5 and 10 percent budget reduction exercise in anticipation of fewer state general fund dollars. As a result of the cuts taken in the past two biennia, all of RCO’s remaining general fund support is related to salmon. The RCO director consulted with the executive management team, the chief financial officer, the GSRO executive coordinator, and the salmon section manager about possible scenarios that would support the funding strategy in the board’s strategic plan. Based on these discussions, the RCO developed its response to OFM’s request. This response assumed that the cut would include a five percent reduction across the board.

In October, Governor Gregoire released budget reduction alternatives. In this document, the RCO was directed to take a 5 percent cut. The Governor’s recommended approach, however, takes a lower cut in lead entity funding and a higher cut in other areas supported by the general fund, as shown in this table.

Table 1: Five Percent Reduction Scenario

Item	Reduction	Percent Cut
Governor’s Salmon Recovery Office		
• Delay filling science coordinator position	\$33,000	
• Reduce resources used to produce State of Salmon Report		
Reduce funding for salmon recovery administration	\$40,000	
Reduce Lead Entity Funding	\$25,000	2.5%
Total Reduction	\$98,000	

¹ Lead entities receive board funding from the state general fund and from the Puget Sound Acquisition and Restoration funds. Only the general funds, which are allocated statewide, are the subject of discussion at this time.

Analysis

Lead entity and regional organization responses to reduction exercise

In response to the request to engage in a 5 and 10 percent budget reduction exercise, seven regional organizations and 21 lead entities submitted information regarding which services or functions would most likely be reduced or eliminated if budget reductions were implemented.

The responses to a five or ten percent reduction included the following approaches:

- Potential loss of the lead entity program in some areas, particularly those lead entities impacted by reductions in county budgets
- Loss of staff, up to one FTE
- Reduction in staff hours and/or salary
- Reduction in quality of and delays in completing deliverables
- Reduction of outreach and training efforts
- Reduction in Habitat Work Schedule efforts, including the inability to completely populate database, validate projects, and update proposed projects for out year planning
- Overall reductions in tracking and reporting on plan implementation
- Reduction of external support such as accounting, technical, and legal services
- Reduction in statewide planning and recovery efforts

Several regions and lead entities asked that their contractual scopes of work be revised if a budget reduction were implemented. The implementation of such a reduction would result in an inability to meet current deliverables.

Effect of backfilling lead entity budgets with federal funds

Covering up to a 5 percent cut to lead entity state general fund dollars could reduce the board's returned funds by \$49,253. In previous years, these returned dollars have been used for potential cost overruns to projects and rolled into the next project grant round.

The total of returned funds in 2011 is approximately \$3.8 million. Backfilling the lead entity dollars would result in an approximately 0.65 percent cut in the total returned funds.

Next Steps

Future Budget Discussion – April 2012

RCO staff anticipates that the board will need to revisit budget allocations at its April 2012 meeting. At that time, staff hopes to know (1) the results of the state legislative session and any impacts of that session on the capital budget and (2) the NOAA funding levels for federal fiscal year 2012 Pacific Coastal Salmon Recovery Funding (PCSRF) dollars.

As of November 18, PCSRF has been approved by both the House and the Senate at \$65 million. It is uncertain whether there will be any further administrative reductions to that amount based on final NOAA budgets. Funding at \$65 million represents a \$15 million reduction from the current \$80 million mark, and will have implications for the total amount of funding received by Washington State for salmon recovery purposes.

The board will need to consider the impact on project funding levels as well as lead entity and regional recovery organization operation dollars. The board may consider options such as:

- Reducing the overall project funding dollars available for the 2012 grant round
- Reducing project funding dollars and regional and lead entity operational dollars
- Reducing regional and lead entity operational dollars
- Revising policies and practices to assist in filling any budget gaps. These could include revising the practice of saving a portion of return dollars for cost increases and eliminating the practice of paying for cost increases with SRFB dollars or eliminating the policy to pay up to 10 percent over appraised value

Staff will monitor the state legislative process and budget discussions, as well as track any additional Pacific Coastal Salmon Recovery Fund (PCSRF) discussions at the federal level. Based upon budget information known in advance of the April board meeting, staff will prepare an analysis of past and current funding levels and of potential options for addressing budget reductions. Staff will prepare a briefing memo for the board's April 2012 meeting to consider how best to absorb any reductions.

If a state budget is passed resulting in a cut in state general funds to the lead entity organizations, staff will implement the board's decision regarding the use of returned funds to backfill the reduction.

Attachments

- A. Roles and responsibilities of regions and lead entities

Attachment A: Roles and responsibilities of regions and lead entities

Regional Organizations

Generally, the seven regional organizations perform many of the same functions, but their areas of focus vary. These functions include:

- Refining and managing salmon recovery plans
- Coordinating implementation of the plan, tracking and reporting progress
- Coordinating monitoring and adaptive management
- Supporting collaborative decision-making in a variety of forums
- Communicating with public, tribes, agencies and others
- Developing a financing plan and seeking other salmon recovery funding
- Tracking and addressing emerging issues affecting salmon recovery statewide and within regions

Lead Entities

The twenty-seven lead entities build and sustain salmon recovery capacity at the watershed level to:

- Develop and rank high quality, locally supported salmon habitat protection and restoration projects;
- Garner community and public support for salmon recovery; and
- Be strategic and engaged in implementation of regional salmon recovery plans.

In meeting these objectives, each of the 27 lead entity organizations defines its core functions somewhat differently, depending upon a variety of factors such as local partners, culture, geography, and funding. There are several lead entity functions that are defined statutorily in RCW 77.85 or contractually. These include:

- Maintaining a lead entity organization
- Developing a project list
- Maintaining an updated project list and reporting on progress
- Developing a local strategy

Additionally – among other activities - lead entities seek additional funding sources, support regional and statewide salmon recovery coordination, engage in outreach to their local communities and help ensure that projects get done.