



CHAPTER 5 | FUNDING RECOVERY

Puget Sound recovery requires a sufficient and reliable source of funding—the lack of funding is the leading barrier to implementing recovery actions. We can increase our achievements by dedicating additional funding sources, increasing the efficiency and effectiveness of existing sources, and developing innovative, market-based programs. The Puget Sound Partnership works closely with partners to develop a dependable and diverse funding strategy that will support Puget Sound recovery today and into the coming decades. This chapter outlines current funding goals, current and anticipated changes to funding sources, and the funding strategy that will support Puget Sound recovery into the future.

WHAT ARE OUR FUNDING GOALS?

The Action Agenda funding strategy aims to align and expand upon existing funding sources. The comprehensive funding strategy must meet the following goals:

- Sufficient funding to avoid annual funding shortfalls that compromise prioritized ongoing programs and Near Term Actions.
- Flexibility to coordinate investments in multiple environmental solutions, a more efficient approach than funding one resource or issue at a time.
- A comprehensive approach that treats recovery as a collective effort and not as unrelated programs.
- A strategic approach that links financial support to scientifically supported, regionally identified priorities.
- Stable and reliable sources of funding.

The funding strategy for Puget Sound recovery is ambitious and comprehensive. It depends on the engagement and support of many partners across all levels of government and nongovernmental organizations and will continue to evolve with the Action Agenda.

WHAT ARE THE EXISTING FUNDING SOURCES FOR PUGET SOUND RECOVERY?

Federal, state, local, and tribal governments currently provide much of the funding for Puget Sound recovery actions. Other significant sources of funding are nongovernmental agencies, private foundations, businesses, and individuals. Market-based mechanisms include the transfer of development rights programs, redevelopment,⁸ ecosystem services markets, and *in lieu fee* compensatory mitigation programs. State and federal funds allocated to the Puget Sound Partnership itself also fund partner organizations.

The major sources of federal, state, and local funding are described in the next sections.

FEDERAL PROGRAMS

The federal government provides a significant source of funding for prioritized actions in the Action Agenda. Some federal agencies are funded to engage in protection and restoration activities and others award grants to support and match the work of nonfederal partners. For example, the U. S. Environmental Protection Agency provides funding to Washington State agencies to implement the Action Agenda. In turn, these agencies manage programs addressing the three Strategic Initiatives. The U. S. Environmental Protection Agency also awards grants to the Northwest Indian Fisheries Commission to advance tribal treaty rights and Puget Sound protection and restoration. Healthy tribal lands and waters are essential to the continued protection and security of tribal treaty rights and the economic and cultural well-being of tribes are directly linked to the health of their homelands and the natural

⁸ Redevelopment often provides an opportunity to contribute to recovery by upgrading stormwater systems, increasing densities, removing structures that degrade or limit habitat, and implementing other improved development practices.

systems supporting their resource base. Grants such as these support Puget Sound federally recognized tribes in continuing to protect and restore the natural resources that are of utmost subsistence, cultural, commercial, and spiritual value.

Federal agencies can direct existing funds for national programs in this region. The following federal programs make important contributions to Puget Sound recovery programs. A full list of programs is provided in the [supporting materials](#).

- U. S. Environmental Protection Agency’s National Estuary Program and Geographic Programs for Puget Sound.
- National Oceanic and Atmospheric Administration’s Restoration Center.
- National Oceanic and Atmospheric Administration’s Pacific Coastal Salmon Recovery Fund grant programs.
- Various programs administered by the U.S. Fish and Wildlife Service, U.S. Geological Survey, National Park Service, U.S. Coast Guard, U.S. Department of Defense, U.S. Army Corps of Engineers, U.S. Forest Service, National Resources Conservation Service, Federal Emergency Management Administration, Federal Housing Administration, Federal Transit Administration, and other federal agencies that lead work related to Puget Sound recovery.

STATE PROGRAMS

Washington State makes significant investments in capital projects that contribute to Puget Sound recovery, such as wastewater treatment plants, stormwater retrofits, and nearshore habitat protection and restoration. The Puget Sound Partnership is required by statute to review the budget requests of Washington State natural resource agencies and prioritize these requests relative to their alignment with and support of priorities in the Action Agenda. This prioritization is then provided to the Governor and the State Legislature to support their budgetary decisions.

The following state programs make important contributions to Puget Sound recovery programs. A full list of programs is provided in the [supporting materials](#):

- Puget Sound Acquisition and Restoration Fund
- Estuary and Salmon Restoration Program
- Floodplains by Design
- Stormwater Financial Assistance Program
- Salmon Recovery Funding Board grant programs
- Washington State Department of Ecology’s water quality grants and loan programs

LOCAL GOVERNMENT

Cities, counties, and special-purpose districts⁹ account for a significant portion of funding for actions that contribute to Puget Sound recovery. Local entities invest in wastewater treatment, septic tank management, stormwater management, infrastructure, shellfish and habitat protection, and restoration. Local funds can be generated through a variety of mechanisms authorized by Washington State, including utility fees and assessments on local properties such as conservation futures programs.

The Puget Sound Partnership supports Local Integrating Organizations consisting of local jurisdictions, area tribes, special-purpose districts, salmon recovery Lead Entities, and community organizations that provide biennial updates on local recovery priorities, long-term plans, and Near Term Actions. Each organization's members secure funding for projects such as salmon habitat restoration, floodplain restoration, and stormwater retrofits. The Local Integrating Organizations also provide input on state legislative proposals and funding authorities, and help to identify funding gaps in the [Implementation Plan](#).

NONPROFIT AND PRIVATE ORGANIZATIONS

The private sector, including individuals, businesses, and philanthropic organizations, recognizes the benefit of a healthy Puget Sound to a healthy economy. Businesses and private landowners are also obligated to contribute to certain recovery priorities (for example, controlling polluted runoff from private property). The private sector can invest in Puget Sound recovery by forming public/private partnerships that address priority issues. For example, the National Fish and Wildlife Foundation's Community Salmon Fund provides funding for two of the Strategic Initiatives: habitat and shellfish. Similarly, cost-sharing opportunities are available from both the state and federal programs.

HOW WILL FUNDING FOR PUGET SOUND RECOVERY CHANGE?

Puget Sound recovery programs benefit from federal, state, and local funding. Over time, these sources have evolved to provide new funding mechanisms and collaborative requirements. Two examples are described below.

NATIONAL ESTUARY PROGRAM: NEW FUNDING MODEL

The U.S. Environmental Protection Agency's National Estuary Program funds Near Term Actions in the Action Agenda. In March 2015, the U.S. Environmental Protection Agency proposed changes to focus the funding process on the Action Agenda priorities, reduce administrative burdens on applicants, provide increased transparency and predictability in both ranking and funding decisions, and encourage broader collaboration during the decisionmaking process.

The new funding model ensures that funding is driven by priorities established in the Action Agenda. In this highly structured process, partners such as the Local Integrating Organizations, Puget Sound tribes, Puget Sound Salmon Recovery Council, Ecosystem Coordination Board, Science Panel, and Leadership Council have the opportunity to collaborate on recommendations for Near Term Actions and ongoing programs critical to the Strategic Initiatives. Through this process, the Puget Sound Partnership acts as a neutral, nonregulatory body with a significant role in planning, synchronizing, managing, and monitoring the recovery funding system to ensure the most efficient and effective path to Puget Sound recovery. The Strategic Initiative Leads work with their respective Strategic Initiative Advisory Teams ([Chapter 3, Managing Recovery](#)) to review and rank Near Term Actions according to priorities established in the Action Agenda and to formulate funding recommendations for National Estuary Program funds.

⁹ Special-purpose districts exist separately from local governments and provide services such as water, electricity, and drainage.

COORDINATED FUNDING AND INVESTMENT

State and federal agency partners are working to improve the implementation of Puget Sound recovery actions through coordinated funding and investment. Two efforts are underway, one at the state level and one involving all levels of government, tribes, and local communities. These programs aim to align financial resources and regulatory authorities to speed conservation and resiliency programs.

- Washington State Natural Resources Grant Program.** This initiative coordinates cross-agency grant programs that benefit water quality and salmon recovery. The intention is to maximize the benefits of public investment and minimize administrative burdens on local grant recipients. This coordinated funding model focuses limited resources on the investments most likely to contribute to Puget Sound recovery. This effort is led by the Washington State Department of Ecology and the Recreation and Conservation Office; it is also supported by the Washington Department of Fish and Wildlife, Puget Sound Partnership, Washington State Conservation Commission, the Governor's Results Washington, and the National Oceanic and Atmospheric Administration. This effort assists in the statutory requirements for state agencies to review and align their budgets, if necessary, with priorities in the Action Agenda.
- Resilient Lands and Waters Initiative.** This program identifies concrete steps by which state and federal agencies can synergize with local governments and organizations to accelerate ecosystem recovery. In a typical watershed, a dozen state, federal, and local government agencies are responsible for improving ecosystem services, but their mandates are typically narrowly focused on only selected resources, not the whole ecosystem. Communities living in watersheds, floodplains, and estuaries struggle with big problems and complicated situations that require us to mobilize a mix of financial, legislative,

scientific, and social resources to work collectively at the scale necessary to protect and restore ecosystems.

A pilot project in the Lowland Snohomish watersheds offers the opportunity to test this collaborative funding model. The Coordinated Investment Pilot is guided by an ad hoc steering committee led by the National Oceanic and Atmospheric Administration and the Puget Sound Partnership, with representatives from the Washington State Departments of Ecology, Fish & Wildlife, Natural Resources, and Agriculture; and representatives from the U.S. Fish and Wildlife Service, Natural Resource Conservation Service, U.S. Environmental Protection Agency, Federal Emergency Management Agency, and the U.S. Army Corps of Engineers. Key local partners include Snohomish County, Snohomish Conservation District, and the Tulalip Tribes of Washington. The committee is developing the following actionable steps to coordinate investments in large-scale watershed restoration:

- Positioning state and federal engineers and scientists to support local project teams.
- Developing and sharing transparent strategies and data describing ecosystem conditions.
- Making regulatory processes understandable, efficient, and goal-driven.
- Streamlining public funding mechanisms.
- Creating financial feedbacks that support stewardship.
- Developing more flexible ways of protecting open space that integrate farming, salmon recovery, and flood management.

Lessons from this pilot will inform future efforts and contribute to developing stable mechanisms to replicate successes in other watersheds in Puget Sound and beyond.

WHAT IS THE FUNDING STRATEGY FOR PUGET SOUND RECOVERY?

The Partnership funding strategy aims to develop and secure stable and diverse funding to implement Action Agenda priorities. The funding currently available from various sources is insufficient to fund the full costs of recovery efforts included in the Action Agenda. Given this reality, the funding strategy for Puget Sound recovery includes three key components:

- **Get the most from available funding.** Make the most of the available funding by narrowing the focus of implementation efforts on the Near Term Actions that will have the highest potential benefit to recovery efforts.
- **Define the funding gap and ways to bridge it.** Gain a clearer picture of the size and nature of the funding gap to develop immediate priorities and inform longer-term efforts to close and address the gap.
- **Refine and implement solutions to bridge the funding gap.** Clearly define and prioritize solutions to fill the funding gap, the steps needed for implementation, and roles and responsibilities.

The [Implementation Plan](#) reflects the narrowed focus, aimed at achieving results to translate the first item into practice. The remaining two items are described below.

DEFINE THE FUNDING GAP AND WAYS TO BRIDGE IT

In 2014, the Ecosystem Coordination Board commissioned a study to identify a strategy for long-term funding of the Strategic Initiatives. The plan developed by the board’s Finance Subcommittee and economic consulting firms describes the funding needs, priorities, status, and gaps for each Strategic Initiative ([Funding Strategy for the Strategic Initiatives from the 2012–2013 Puget Sound Action Agenda](#)). The Finance Subcommittee recognized that it is not sufficient to simply evaluate the costs of the Near Term Actions and any associated funding gaps. Instead, it is crucial to include the costs of key ongoing programs and any existing gaps in funding those ongoing programs. In looking at both Near Term Action and ongoing program costs, the Finance Committee identified a funding gap of between \$206 and \$355 million per year for the Habitat Strategic Initiative, \$62 to \$265 per year for the Stormwater Strategic Initiative, and \$27 to \$42 million for the Shellfish Strategic Initiative, as shown in Table 5-1.

TABLE 5-1. 2012– 2013 STRATEGIC INITIATIVE FUNDING GAPS

STRATEGIC INITIATIVE	ANNUAL COST	CURRENT FUNDING	CURRENT ANNUAL FUNDING GAP
Stormwater	\$540–\$690 million	\$425–\$575 million	\$62–\$265 million
Habitat	\$325–\$441 million	\$86–\$119 million	\$206–\$355 million
Shellfish	\$41–\$53 million	\$12–\$14 million	\$27–\$41 million

The Finance Subcommittee also made the following eight overarching recommendations that continue to inform our funding strategy:

- **Water infrastructure.** Support new funding for an appropriate integrated water infrastructure; model watershed approach after the salmon recovery efforts.
- **Septic management.** Support new funding for the Washington State Department of Health’s septic loan and septic management programs to address all funding needs in the Shellfish Strategic Initiative.
- **Stormwater management.** Seek increased state funding for stormwater projects and street sweeping, sediment removal, and selective highway retrofits as immediate priorities while supporting a long-term strategy for stormwater investments in the Puget Sound basin.
- **Funding across jurisdictions.** Consider options for collecting and distributing funds across jurisdictional boundaries at a watershed, multiwatershed, or Puget Sound-wide scale to address differences in funding capacity. Consider the concept of a regional funding district.
- **Habitat Strategic Initiative.** Support ongoing funding for the three Strategic Initiatives, with emphasis on the Habitat Strategic Initiative, where the funding gap is larger relative to the Shellfish Strategic Initiative and Stormwater Strategic Initiative.
- **State highway system.** Seek increased funding for stormwater and other environmental improvements in a state transportation package; align environmental spending for highways with watershed and regional priorities for cleanup and restoration.

- **Strategic prioritization.** Advocate for strategic prioritization of federal and state infrastructure funding based on economies of scale, science advancement, equity and social justice, agriculture and resource land protection, and workforce development.
- **Biennial review.** Review and revise the funding strategy during the biennial updates of the Action Agenda.

REFINE AND IMPLEMENT SOLUTIONS TO BRIDGE THE FUNDING GAP

In addition to maintaining, enhancing, and focusing government funding, securing and stabilizing more funding will be a continuous need. As efforts proceed to implement the recommendations described above, the Ecosystem Coordination Board Finance Subcommittee is working to develop longer-term solutions to bridge the funding gaps and satisfy evolving priorities, including completing an actionable work plan in the fall of 2016. The following actions will support stable and sustainable funding for Puget Sound recovery:

- **Expanding private and philanthropic partnerships.** To date, Action Agenda implementation has relied heavily on public funds. Through multi-benefit efforts like Floodplains by Design, we are looking to better engage private and philanthropic partners by ensuring that actions reflect and provide for their interests and ecosystem benefits. Recent investments from Boeing and a number of philanthropic organizations suggest that this approach resonates. Part of the strategy is to more explicitly expand multi-benefit, coordinated investments beyond floodplains.

- **Allocating resources across local watersheds.** Funding available for local jurisdictions is not typically distributed evenly throughout a watershed. Urban areas with a large tax base typically have more funding, while more rural areas tend to have a lower tax base. This disparity can be challenging for recovery efforts, as there is often more opportunity for better ecosystem protection and restoration in less dense areas. Our funding strategy includes identifying funding methods that can work across city and county jurisdictional boundaries to employ a watershed approach to investment, thereby using limited funding where it will have the greatest ecosystem benefits regardless of jurisdiction.
- **Prioritizing state and federal grants for projects that encourage compact growth patterns, density and redevelopment, and rural lands protection.** Redevelopment and increased density in existing developed areas yield multiple benefits and help to distribute the costs of recovery. When currently developed areas are redeveloped through private investment, stormwater systems are retrofitted to meet current standards. Also, redevelopment and increased density help to protect and preserve existing habitat outside and within urban areas. Part of the strategy is to encourage and incentivize redevelopment to leverage private contributions for Puget Sound recovery.
- **Establishing a center to organize and stimulate conservation markets for resource lands.** Conservation markets have the potential to use market forces to achieve ecological objectives. Mechanisms can include transferring development rights, mitigation banking, and trading schemes that leverage cost differentials associated with different entities and pollutant sources to realize the same reduction in a given pollutant. Developing, implementing, and advocating for the widespread use and acceptance of these market mechanisms requires a centralized advocate for a long-term view and cross-regional coordination.
- **Maximizing funding for protection efforts supplemented by restoration projects.** It is much more cost effective to protect functioning areas of the ecosystem than it is to restore degraded areas. Many grant and other programs currently favor restoration work over protection. As a means of reducing, or at least managing, increases in the overall cost of Puget Sound recovery, we need to maximize protection today to reduce more costly restoration in future years.
- **Prioritizing state and federal grants to encourage compact urban development and rural lands protection.** Reducing the conversion and development of rural lands is essential to protecting Puget Sound. The anticipated rapid population growth in the region will result in development. Encouraging cities to absorb the majority of this growth will reduce the ecosystem impacts that negatively affect Puget Sound. Prioritizing public expenditures and incentivizing private investments to expand the abilities of cities to grow up and not out will protect essential ecosystem services.
- **Addressing match requirements and local government or nongovernmental organization funding constraints.** Some entities cannot meet the match requirements of many grant programs; some areas are better positioned to use grant funds than these less advantaged areas. As a result, the most valuable protection and restoration work from an ecosystem perspective is not always funded and completed. The funding strategy looks at ways to modify match requirements to better consider the ability of an entity to provide the match so that we are not excluding valuable protection and restoration projects. Ultimately, this makes protection and restoration work more cost effective.