

**Financing Salmon Recovery—
What Will It Take?**

**Draft Platform Statement
1-20-05**

Shared Strategy Summit 2005 Draft Platform Statement

Introduction to Platform Statements

This “platform statement” is one of nine papers drafted to stimulate discussion and make progress on topics related to salmon recovery that cross all the Puget Sound watersheds. These platform statements are not intended to represent positions or decisions of any individual or organization. Rather, they have been developed by the Shared Strategy staff with help from others and are intended to describe the ideas and questions that have been identified to date by a variety of people working on these issues.

The expectation is that together, Shared Strategy participants will be able to forge a regional consensus on how to make progress on the ideas and questions identified in the papers and that these ideas will be incorporated into the draft regional recovery plan submitted to NOAA and U.S. Fish and Wildlife Service this June.

Under the Endangered Species Act, a recovery plan must identify the threats to survival, the actions necessary to address the threats, measures for delisting, cost of the actions and a schedule for implementation. In the Shared Strategy, all governments and interest groups agreed to add to the federal requirements by including commitments to implement the plan to ensure its success. This will be the first recovery plan ever developed through a partnership of affected parties that includes commitments for implementation.

The Puget Sound recovery plan will be a living document that evolves and improves over time through implementation. Parts of it will be well defined by June, and other parts will need more work in the future, due to limited knowledge, resources or current political or public commitments. Where additional detail is needed to address a significant threat to salmon survival, the plan must provide a schedule with measurable decision points for how the gap will be filled.

We encourage your comments at the Summit or by contacting the Shared Strategy staff directly. It will be most helpful for you to indicate where the draft statement is generally heading in the right direction and how to take it further to help achieve recovery goals, as well as to identify which questions or issues will need to be addressed at a future time.

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Introduction

The salmon recovery plan that is nearing completion for Puget Sound has great promise for the region. The actions identified in the plan will result in significant increases in salmon populations and rebuilding depleted runs. Increasing the number of salmon will help support a large and growing recreational salmon fishery and the treaty-guaranteed tribal harvest. Restoration of salmon runs will also satisfy requirements of the Endangered Species Act, reducing the economic burdens of compliance with this federal law.

There are also substantial benefits of the plan beyond those for salmon. The proposed actions will restore habitat for a wide range of fish and wildlife species. Restoration in river valleys and stream corridors will improve water quality, prevent flood damages, and ensure long-term water supply. The incentive programs will promote farming and timber industries. In short, the actions proposed in the plan, if implemented, will result in widespread improvements to the environment, the economy, and the quality of life in the Puget Sound region.

These benefits can only be achieved if the plan is adequately funded. As will be discussed later in this paper, achieving an adequate level of funding will be a challenge. Significant increases in funding over current levels will be needed during the next ten years while the regional economy is recovering slowly and facing additional demands for many public needs. How the need for salmon recovery is addressed must be coordinated with other funding requirements. As we face these challenging circumstances, it is important to keep in mind that we are buying so much more than salmon with the recovery plan.

Our Regional History of Environmental Improvements

It is also important to recognize that we in the Puget Sound region have faced similar challenges before and have risen to them. Between 1958 and 1968, local citizens and political leaders approved \$140 million to clean up Lake Washington in the largest pollution control effort in the United States at the time. In the late 1960's and early 1970's, concerns over a proposed deepwater port in the Nisqually Delta led local leaders to argue successfully for the creation of the Nisqually National Wildlife Refuge, one of many natural areas protected in that era. Since 1991, community leaders have acquired and protected more than 125,000 acres within the Mountains to Sound Greenway, a corridor from the Seattle waterfront to the desert grasslands of Central Washington. In each generation, political leaders have emerged to take on the major environmental challenges of their day, and we enjoy the fruits of this work every day in the wonderful environment of the Puget Sound region.

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Salmon recovery is one of the defining environmental issues in this decade for the region. If we succeed in providing the funding necessary to implement the recovery plan, our children and grandchildren will enjoy cleaner water, greener communities, vibrant fishing and farming industries, as well as the magical sight of salmon by the thousands in our rivers and streams.

The Cost to Begin Recovery

The recovery plan will recommend a wide range of actions to restore salmon populations, including purchasing land and land use rights, restoring habitat, providing incentives to private landowners, and administering the major long term responsibilities of public agencies and private organizations in implementing the plan.

Before any regional analysis or prioritization has been done, the total cost of actions recommended in watershed plans to begin implementing the recovery plan in the first ten years of implementation is currently estimated at between \$100 and \$200 million per year, of which approximately 75% is for one-time capital costs (principally habitat protection and restoration projects, but also some hatchery retrofits). The remainder is for continuing costs of the recovery program, including monitoring, maintenance, coordination, enforcement of regulations, and public involvement and education.

There are additional costs that will be factored in over time. The state and tribal hatchery system has recently been evaluated to determine likely costs for upgrades and retrofits needed to promote salmon recovery and ensure long-term fisheries. These items have not yet been included in cost estimates in many watersheds. In addition, efforts to identify projects for restoration of nearshore and marine habitat are in early stages and costs are likely to be significant as this work continues.

Our Current Ability to Pay

Part of the financing analysis to date has been to calculate current rates of spending on salmon recovery and related purposes in order to estimate the funding that may be available in the future. In the five years since the listings, annual spending from sources that are expressly for salmon projects and programs – such as the Salmon Recovery Funding Board (SRFB) and the National Fish and Wildlife Foundation's Community Salmon Fund (CSF) – have crested at more than \$25 million annually. Sources that are not salmon-focused but have been used extensively for salmon projects in recent years (including funding from local surface water management programs, Corps of Engineers restoration programs, and a wide variety of local, state, and federal environmental grant programs) have contributed at least another \$40 million and potentially as much as \$60 million per year.

However, there are reasons to believe that it will be more difficult to raise this much money from existing sources in the future. Salmon spending has been at historically high levels since the ESA listings. Funds come almost entirely from annual budget appropriations but Congress, the state legislature, and many local legislative bodies are shifting attention to other non-salmon needs. Discretionary environmental funding is shrinking at every level of government.

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Given these constraints, it is probably more prudent to think that the sustained yield from funding sources that are currently used for salmon projects and programs is around \$40 million per year in the Puget Sound region. Even at this level, there is a substantial amount of work needed to encourage continued funding.

Who Pays for Salmon Recovery?

In recent years, the costs of salmon recovery have been spread fairly evenly among federal, state, and local governments. The majority of federal funding has been spent on habitat project grants, although the US Fish and Wildlife Service and NOAA Fisheries also support recovery planning and ESA regulatory responsibilities. The state has been a smaller contributor to habitat project funding but has provided a great deal of recent funding to hatchery improvements and has provided staff support at state expense to the recovery planning process. Local governments are contributing principally by supporting watershed planning and local land use regulatory responsibilities, although some jurisdictions also contribute heavily to habitat project costs.

In coming years, the transition to implementation of the recovery plan will probably cause a shift towards less administrative and more project funding. This may require that the state and local governments either cut administrative costs to free up capital funds or find new sources to pay their share of project costs.

Many other entities contribute to salmon recovery. Indian tribes in the region support major hatchery, harvest management, and habitat restoration responsibilities, and many have taken an active role in leadership of watershed recovery planning. Many conservation groups and community organizations have cosponsored habitat projects. And private businesses and industries have contributed through funding of mitigation projects, development of salmon-friendly business practices, and direct support of restoration projects.

The current assumption is that the funding plan will require roughly equal commitments from the federal, state, and local levels of government, with each dollar raised by any level of government leveraging two dollars from other sources, and that each government will support their own unique and essential responsibilities in the recovery effort.

Priorities and Fundraising

It is clear that the projects and programs that have been identified in watershed recovery plans and elsewhere – currently estimated to cost \$100-200 million per year for the first ten years – will have costs that greatly exceed our likely funding capacity from existing sources of \$40 million per year to support salmon recovery actions. Given our funding constraints, it will be necessary to prioritize actions at the watershed and regional level. This winter and spring, planning groups in each watershed will be asked to help identify how their recommendations address following draft criteria:

- Improvements to salmon populations according to the technical parameters set by the Puget Sound Technical Recovery Team (known as viable salmon population or VSP parameters).

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- Improvements to ecological integrity related to salmon recovery.
- Protection of existing habitat conditions crucial to salmon viability (from both regulatory and incentive based approaches)
- Costs commensurate with the results likely to be achieved.
- Feasibility of actions as indicated by:
 - Availability of staffing, funding, and other resources
 - Track record of sponsoring agency or organization
 - High probability of successful implementation

A similar effort will be undertaken at the regional level, where ESU prioritization and investments will be based on the same criteria as stated above related to improvements in all populations and significant advancement in core populations. The Technical Recovery Team will develop tools to help evaluate different suites of actions at the regional scale and their relative effects on recovery (i.e. how far and how fast a particular suite will achieve recovery goals).

Even with a very substantial effort to prioritize projects this winter and spring, it is likely that additional funding will be needed to complete the prioritized plan in the initial ten years of implementation. With this in mind, Shared Strategy leaders have identified potential fundraising strategies to support three alternative levels of annual spending for Puget Sound salmon projects and programs - \$40 million, \$90 million, and \$140 million per year – depending on the regionally decided level of support for salmon recovery.

At \$40 million, the emphasis of the fundraising strategy would be on maintaining current federal and local sources, increasing state funding, and becoming more accomplished at securing state and federal grants. At \$90 million and \$140 million per year, major new sources of state and local funding would be needed. Options for raising the shortfall include redirecting mitigation funds to highest priority projects in each watershed and establishing a dedicated, voter-approved revenue source specific to salmon recovery to be enacted at the statewide or Puget Sound level. While the more aggressive funding levels would be difficult to achieve, they would also result in meaningful results far sooner than possible at the \$40 million level.

One way to approach fundraising is as a three-part process:

1. Leverage and increase current sources.
2. Identify and access new compatible sources such as mitigation, incentive programs for farm and forestry programs, etc.
3. Pursue additional needs through new opportunities for funding.

With this approach, current sources could be immediately applied to recovery priorities while working to add new sources. New sources would become available two to five years into the first decade of implementation.

The Road Ahead

Major decisions will be needed soon on funding of the recovery plan. What actions are most important to fund? How will money be raised? Who will contribute to funding?

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With the completion of the recovery plan and financing analysis, we will understand what actions are possible, how much they cost, and how money might be raised for each. The final ingredient is the agreement among regional leaders on the strategy and level of funding we move forward with in financing the plan.

The path towards regional agreement on financing the plan is proposed to begin at the Shared Strategy Summit and continue through the spring and summer. The proposed approach for finalizing the funding strategy and regional priorities is to convene a leadership group comprised of watershed and regional leaders, including elected officials of federal, state, local, and tribal governments and representatives from business and environmental groups. These leaders would examine options and develop a regional consensus on cross-Sound funding priorities and a financing strategy, including evaluating potential new funding sources if they deem it appropriate.

While it will take time to develop the long-term solution to financing the recovery plan, several things can be done at once to move forward and should be an early focus of the financing strategy:

Aligning appropriate funding sources with recovery plan priorities: Salmon recovery actions are currently funded through dozens of sources. Programs that currently fund work on Puget Sound chinook salmon, bull trout, and summer chum – the target species for the recovery plan – should use the plan as a blueprint for how to invest funding to greatest effect. The relevant funding agencies should incorporate criteria into ranking processes to accomplish this. Fundraising for recovery of listed species should not impact existing funding for non-listed species and tribal treaty obligations.

Drawing untapped or underused funding to salmon recovery: There are potential sources of funding for salmon projects and programs that are untapped or underused. The use of funding for mitigation of public works and private development projects has huge potential but, requires addressing some tough. Simpler but more limited sources include U.S. Department of Agriculture programs (for farm and forest incentives), EPA water quality programs, and a variety of state and federal grant programs. A fundraising program aimed at raising money from nontraditional sources could have immediate benefits.

Increasing the efficiency of salmon recovery programs. The great public and political enthusiasm for salmon in recent years has led to a proliferation in salmon-oriented programs and institutions. It may be possible to coordinate and streamline some of these activities to reduce costs and improve delivery of services. The most immediate candidates for potential efficiencies appear to be watershed project ranking and salmon-related monitoring, both very significant costs, but a wide range of other programs deserve a more systematic assessment of roles, responsibilities, and potential cost savings.

Evaluating and publicizing the success of salmon recovery funding: Over the last five years, the agencies and organizations in the Puget Sound region have preserved

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thousands of acres of habitat, reopened major river segments to salmon migration, and completed hundreds of restoration projects on dozens of rivers and streams in the region. This record is remarkable but largely unknown to the general public and funding agencies. More attention is needed to evaluating progress (using easy-to-understand performance measures), identifying successes, and getting the message out to the general public and key budget decision-makers.

Key Questions for Discussion

1. Are the draft criteria for prioritizing projects on the right track? Are there changes that could improve the effectiveness of future spending?
2. What are the appropriate funding roles for the local, state, and federal governments?
3. Which entities should be represented on the leadership group to finalize the criteria and financing strategy? At what level?
4. What advice would you give the leadership group to help them develop a practical and effective financing strategy?