Washington State Department of Fish and Wildlife and Department of Natural Resources Proposal in Response to

U.S. Environmental Protection Agency, Region 10
Puget Sound Action Agenda: Ecosystem Restoration and Protection (EPA-R10-PS-1007)

Area of Emphasis: Marine and Nearshore Protection and Restoration

Title: Implementation of Marine and Nearshore Strategies to Protect and Restore Puget Sound

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Abstract: The Washington Departments of Natural Resources and Fish and Wildlife will align their authorities, scientific and technical expertise, and programs to co-lead implementation of marine and nearshore protection and restoration actions consistent with the Puget Sound Action Agenda and recovery of the Sound to health by 2020. Through a competitive, transparent, and coordinated subaward process, DFW and DNR will invest in (1) an adaptive management framework of target-setting, action, evaluation, and adjustment to measure and accomplish marine and nearshore ecological improvements; (2) projects that increase the effectiveness of regulation and stewardship programs; (3) capital protection and restoration projects; (4) programs that address high priority threats; and (5) projects that are cross-cutting and address issues in two or more areas of emphasis. In all phases of implementation, DNR and DFW will work closely with the Puget Sound Partnership, Tribes, local and federal governments, non-governmental organizations, and other stakeholders.

Amount of Federal Funds Requested: $48,000,000

DUNS Number: 80-888-3052

Referred by: The Puget Sound Partnership

Project Narrative

The Washington State Departments of Natural Resources (DNR) and Fish and Wildlife (DFW) propose to align their authorities, scientific and technical expertise, and programs to co-lead implementation of the marine and nearshore components of the Puget Sound Action Agenda and deliver increased conservation benefit to the Sound in the overall effort to recover it to health by 2020.

Technical Approach, Including Outputs and Outcomes

The technical approach (like the Puget Sound Partnership (PSP) approach) is based upon an adaptive management framework, using the Open Standards method and other adaptive management principles to set goals, plan and implement, monitor and assess, and change as necessary. To accomplish nearshore and marine protection and restoration using this approach, we recommend supporting five areas of investment: 1) Adaptive management, 2) Effective regulation and stewardship, 3) Strategic capital investment, 4) Programs to address additional high priority threats, and 5) Cross-cutting issues (actions that cross areas of emphasis). This technical approach prioritizes and sequences approaches based on a clear rationale that integrates scientific and technical products and the knowledge and expertise of our partners in Puget Sound recovery. We will fund innovative and ambitious actions that are consistent with the prioritized approaches and produce measurable outcomes tied to 2020 marine and nearshore ecosystem targets and Objective 4.3 of EPA's Strategic Plan. To ensure that we are addressing the highest priorities across the entire ecosystem, potential state agency lead organizations have agreed to a common, coordinated leadership strategy to develop, implement, and adaptively manage the six-year strategies across the four areas of emphasis with government and non-governmental agencies.

The rationale that resulted in this technical approach includes:

- Identifying, refining, and gathering information on the marine and nearshore ecosystem components that we are trying to recover and by which we will measure this proposal's contribution to recovery (*from the PSP Dashboard Indicators, Washington State Governor's Government Management Accountability and Performance (GMAP) Process, the revision of the Action Agenda, and the targets and benchmarks the Puget Sound Partnership anticipates setting in 2011*). These will include indicator species (such as Pacific Herring and eelgrass), as well as land use indicators (such as acres of habitat restored and miles of shoreline armored).
- Identifying and prioritizing threats that pose the greatest risk (*currently from the Puget Sound Partnership's Technical Memorandum regarding the Identification, Definition and Rating of Threats to the Recovery of Puget Sound*). Threats to the Puget Sound marine and nearshore that are rated very high or high include shoreline development, armoring, marine invasive species, and climate change.
- Through the subaward process, aim the region's most innovative and effective tools at the most critical threats identified by the Open Standards or other tools (*gathered from regional analyses and the best professional knowledge and expertise of DFW and DNR staff*

and stakeholders from around the region). We will focus on tools and approaches that result in a net gain in ecological function. Specifically, we will fund actions that
    - protect functioning elements of the ecosystem;
    - prevent irreversible harm;
    - prevent new pathways for existing threats to cause harm; and
    - improve ecosystem resilience by restoring key processes in order to achieve both no net loss, and net gain, of ecological function.
- Identifying solutions to "cross-cutting issues" that achieve results across two or more of the four areas of emphasis defined by the EPA RFP (EPA-R10-PS-1007).
- Offering a six-year strategy that integrates and sequences approaches across scales, threats, authorities, and partners, which links strategies, actions (subawards), outputs, and outcomes to ecosystem targets.

The content of this proposal that applies to the nearshore is based in part on the scientific analyses of the Puget Sound Nearshore Ecosystem Restoration Project (PSNERP). PSNERP data and analysis provide a holistic way of thinking about the Puget Sound landscape that support the building of cohesive strategies and tracking progress. PSNERP data describe historic and ongoing degradation across Puget Sound shorelines suitable for either protection or restoration actions. Finally, PSNERP's method of organizing the nearshore into large river delta, coastal inlet, and drift cell (bluff, beach, and spit matrix of most Puget Sound shorelines) systems provides a framework for project development and tracking progress.

This proposal will also incorporate the results of DNR's Aquatic Landscape Prioritization Decision Tool Project, part of the Aquatic Lands Habitat Conservation Plan. The goal of Landscape Prioritization is to identify aquatic lands that are of greatest importance to HCP-covered species and habitats and develop Aquatic Landscape Plans for those priority areas. These Plans will be developed with stakeholder and public involvement; will incorporated Ecology's watershed characterization, PSNERP, and county shoreline mater program analyses; and will identify an ecologically optimal mix of use and protections, and used to inform DNR business decisions and lease requirements. In addition, we have provided species/habitat data in support of the development of NOAA Fisheries Science Center food web model. We anticipate that the final model (Atlantis) will be an important decision support tool that can help inform fisheries management.

Strategic Areas of Investment

We recommend a subaward process that supports 1) Adaptive Management, 2) Effective Regulation and Stewardship, 3) Strategic Capital Investment, 4) Programs to Address Additional High Priority Threats, and 5) Cross-cutting Issues. The focus of these investments may change, or investments in additional programs may emerge in years the two through six based on our evolving understanding of priority threats or adaptive management to improve the effectiveness of these approaches.

1. Adaptive Management

We must invest in a strategic adaptive management system that fosters a common understanding of the role of adaptive management, evaluates progress toward ecosystem

recovery by 2020, and that informs necessary changes to our strategies. The Puget Sound Partnership has begun to establish this system, and we will help complete this process for the nearshore and marine areas.

Year One:

- In coordination with the Puget Sound Partnership, help refine the Dashboard Indicators and help develop marine and nearshore targets and benchmarks for inclusion in the 2011 Action Agenda. Once marine and nearshore related Dashboard Indicators, targets, and benchmarks are set, we will refine our priorities for addressing threats and evaluate the effectiveness of actions for the remaining years of the six-year strategy.
- In 2011, revise Action Agenda strategies and actions necessary to achieve targets and interim benchmarks for marine and nearshore ecosystems

Example Near Term Actions: E.3.1, E.3.2, E.3.3
Threats Addressed: All marine and nearshore related threats
Outputs: Marine and nearshore related targets and benchmarks; proposed revisions to marine and nearshore related strategies and actions in the Action Agenda.
Outcomes: Improved ability to evaluate effectiveness of particular threat reduction strategies and actions to protect and restore marine and nearshore environments.
Leverage Existing Programs[1]: Puget Sound Partnership Science Panel and Coordinated Ecosystem Monitoring Program, Estuary and Salmon Restoration Program Monitoring Strategies, Puget Sound Institute, PSNERP Nearshore Science Team, HCP landscape prioritization/priority habitat protection, baseline assessments and monitoring of aquatic reserves, eelgrass stressor assessment project, and existing marine and nearshore related monitoring

Years Two Through Six:

- In coordination with the Puget Sound Partnership coordinated ecosystem monitoring program, support monitoring that is critical to tracking the Dashboard Indicators and key threat reduction indicators related to marine and nearshore environments.
- In coordination with the Puget Sound Partnership coordinated ecosystem monitoring program, recommend revisions to indicators, targets, and Action Agenda strategies based on new information gathered via the subaward process.
- In year six of the strategy, conduct a programmatic evaluation of the six-year strategy and performance audits for actions implemented using these funds.

2. Effective Regulation and Stewardship

Some of the greatest threats to the marine and nearshore components of the Puget Sound ecosystem are related to human development in the nearshore (e.g., armoring; dams, levees, tidegates; roads and other infrastructure). Existing regulations (e.g., Shoreline Management Act, Shoreline Master Programs, and Hydraulic Project Approvals), need to be part of a strategy

[1] We will complete an analysis of additional programs to leverage as a part of the workplan development.

for addressing land impacts, particularly regulations based on ecological standards such as "no net loss of ecological function." Another critical part of that strategy is to promote effective stewardship on public and private lands. (*Capital protection and restoration mechanisms to achieve net gain in ecological function are discussed in the next section*.) Despite this, we currently lack an effective regulatory enforcement system to define and enforce the current no-net-loss standard on shorelines. Any resulting lack of protection of existing marine and nearshore resources will systematically undermine restoration gains that we achieve via other strategies. This proposal will focus first on improving the effectiveness of environmental protection provided by regulation and stewardship mechanisms.

Year One:

- Encourage innovative SMP updates through a competitive process where jurisdictions that develop regulatory protections that demonstrate progress toward 2020 nearshore ecosystem targets and interim benchmarks receive resources and additional state technical support. Incorporate recommendations from EPA-funded studies for implementing and measuring "no net loss of ecological function".
- Support implementation of SMP updates and protections at the local level to assure ordinances and permit decisions are consistent with SMP updates.
- Develop and test model compliance and enforcement programs/techniques at the local and regional levels.
- Assemble stewardship and regulatory assessments that make recommendations to improve effectiveness so that these recommendations can be pursued in a coordinated way in subsequent years of the strategy.
- Increase the pace of establishing new marine aquatic reserves in order to create a network of protected marine areas Sound wide.

Example Near Term Actions: A.1.3, A.2.5, A.2.6, A.2.7, A.2.8, A.4.6, D.4.7, D.5.4, D.5.5
Threats Addressed: Residential, Commercial, Port, and Shipyard Development; Shoreline Armoring; Dams, Levees, Tidegates; Roads, Transportation, and Utility Infrastructure; Climate change; governmental arrangements
Outputs: Updated SMPs and associated ordinances that reflect coordinated and improved protections, as well as innovative restoration opportunities; hydraulic project approvals or other permits issued; percent compliance of existing permits; literature review that synthesizes published regulatory and stewardship recommendations; designation of a new marine aquatic reserve(s).
Outcomes: Improved compliance with existing regulations, steady or increasing vegetated land cover in shoreline/nearshore, acres of nearshore and marine habitat protected
Leverage Existing Programs: Ecology, DFW, local jurisdictions, HPAs, SMPs, DNR Aquatic Lands Management (habitat stewardship measures), Coastal Zone Management program

Years Two Through Six:

- Continue to support SMP updates and the implementation of those updates.

- Continue to support compliance and enforcement programs/techniques at the local and regional levels.
- Continue to support the establishment of new aquatic reserves.
- Develop and test methods to improve stewardship on private lands, including model incentive mechanisms, such as creative applications of the Public Benefit Rating System or revolving small-loan or -grant fund to assist landowners in removing armoring or other stressors.
- Increasingly condition capital project funding on effective regulatory protections and substantive local stewardship.
- Strengthen technical and decision tools to improve local regulatory protections and stewardship of publicly owned marine and nearshore lands.
- Support regulatory and stewardship efforts that are consistent with and/or support protection and restoration opportunities at sites of regional significance identified in PSNERP analyses.

3. Strategic Capital Investment

As mentioned above, some of the greatest threats to the marine and nearshore components of the Puget Sound ecosystem are related to human development in the nearshore (e.g., armoring; dams, levees, tidegates; roads and other infrastructure). In addition to improving regulatory and stewardship tools, we must make capital investments to further protect and restore habitats. Regional, process-based analyses such as PSNERP and habitat-species based tools such as DNR's Aquatic Landscape Prioritization allow us to target our capital investments. The state owns all submerged lands (except oyster tract lands) of Puget Sound, more than one-third of the nearshore, and all the beds of navigable rivers and streams. Thus a restoration and acquisition strategy can be anchored on these public lands. We will incorporate other tools, such as the marine spatial planning component of the 2011 Action Agenda, into the capital investment strategy as they become available.

Year One:

- Target capital investments consistent with the PSNERP process-based analysis and other supporting information such as salmon recovery plans, Aquatic Landscape Prioritization, and Watershed Characterization. Encourage subaward proposals to
  - fund local efforts that seek to integrate agricultural preservation, flood protection, and ecosystem protection and restoration in large river deltas;
  - pair capital protection and restoration awards with effective regulations that provide ecosystem protection; and
  - utilize cost-effective approaches to completing restoration projects, such as Puget SoundCorps crews within the Washington Conservation Corps.

  Example Near Term Actions: A.1.2, A.4.6, A.2.1, B.1.2, B.1.3, B.1.4, B.1.5, B.2.1, B.2.2, D.1.2, D.3.1
  Threats Addressed: Residential, Commercial, Port, and Shipyard Development; Shoreline Armoring; Dams, Levees, Tidegates; Roads, Transportation, and Utility Infrastructure; Climate change

Outputs: Nearshore capital protection and restoration projects implemented
Outcomes: Acres of nearshore and marine habitat protected and/or restored; improved habitat conditions for species, such as wild Chinook, eelgrass, or rockfish
Leverage Existing Programs: ESRP, NOAA Restoration Center, SRFB, PSAR, USFWS, DNR, Conservation Commission

Years Two Through Six:

- Continue to target capital investments consistent with the PSNERP analysis, as described in year one.
- Increasingly condition capital project funding on effective regulatory protections and substantive local stewardship (also mentioned in Effective Regulation and Stewardship above).
- Fund restoration actions in the marine environment, such as derelict vessel and gear removal, based on an improved understanding of threats to the marine environment that emerges from the Open Standards process.

4. Programs to Address Additional High Priority Threats

Investment areas two and three primarily address the threat of human development in the nearshore. In some cases, we have developed programs that are narrowly focused on additional high priority threats to the marine and nearshore habitats of Puget Sound. We recommend investments in protection from invasive species and oil spill prevention. We may invest in additional high priority threats to marine and nearshore ecosystems in years two through six based on the results of the Open Standards process. For example, in year two we anticipate beginning to support innovative approaches to reduce the threat posed by unsustainable fishing, such as methods to improve selective fisheries.

a. Invasive Species

Preventing invasive species from establishing and spreading is the most cost effective and least environmentally damaging method of protecting the Puget Sound and local economies from the impacts of invasive species.

Year One: Focus on preventing or eliminating pathways of invasive species movement and spread.

Example Near Term Actions: A.5.1, A.5.2, A.5.3, A.5.4
Threats Addressed: Marine invasive species
Outputs: Expanded and enhanced ballast water and hull fouling invasive species pathway management, establish baseline of invasive species currently established in Puget Sound
Outcomes: No new priority invasive species introduced, rapid response to the risk of new invasions
Leverage Existing Programs: DFW, RCO, WSDA, DNR, Puget Sound Partnership, USFWS,

Years Two Through Six: Continue preventing or eliminating pathways of invasive species movement and spread. Control or eradicate existing populations of high priority invasive

species. The focus in years two through six should be informed by the emerging priorities defined by the Invasive Species Council.

b. Oil Spills

Although oil spills were not rated a high threat in the Puget Sound Partnership's 2008 technical memorandum on threats, recent national and global events highlight the threat posed by oil spills. Oil spills have the potential to overwhelm gains we make in the recovery of Puget Sound. Prevention is the most cost effective and least environmentally damaging method of protecting the Puget Sound and local communities and economies from the impacts of oil spills.

Year One: Focus on preventing spills through compliance with, and enforcement of existing standards and regulations. Improve the state's "spill drill" program to ensure timely and effective response to spills that do occur.

> **Example Near Term Actions**: C.1.4
> **Threats Addressed**: Oil and hazardous spills
> **Outputs**: Expanded and enhanced prevention, preparedness and response programs
> **Outcomes**: Reduced gallons of spilled oil, representing substantial progress toward the state goal of zero spills. Increased protection of Puget Sound from the impacts of oil and hazardous materials spills. Increased restoration of public and natural resources impacted by spills
> **Leverage Existing Programs**: Ecology, DFW, DNR, DOH, Puget Sound Partnership, USFWS, NOAA, USCG

Years Two Through Six: Continue efforts to prevent spills and improve state's ability to provide timely and effective response to spills that do occur. Improve understanding of spill impacts to state's natural resources and develop effective and efficient means of measuring impacts to ensure restoration of affected resources. The focus in subsequent years of the six-year strategy should be informed by the priorities and recommendations that emerge from the Cross-Partnership Workgroup on Oil Spills, lessons learned from other major spills (e.g., Deepwater Horizon disaster in the Gulf and the Cosco Busan spill in San Francisco Bay), and other multi-agency forums.

5. Cross-Cutting Issues: Actions that Cross RFP Areas of Emphasis

There are threats and barriers to Puget Sound recovery that cross jurisdictional boundaries, disciplines, and parts of the ecosystem. As a result, lead organizations will facilitate innovative strategies and actions that resolve barriers to implementation, propose solutions, and achieve synergistic results across the ecosystem areas of emphasis defined by the EPA RFP (EPA-R10-PS-1007).

Year One:

- Seek proposals from watersheds or jurisdictions that will implement solutions that address cross-cutting issues comprehensively. Lead Organizations will compare the six-year strategies for the four areas of emphasis to identify high priority cross-cutting issues. Examples of such issues may include

  - identifying and addressing critical connections among nearshore ecosystem processes and water and sediment quality (e.g., priority coastal inlets that may increasingly receive contaminated water from developing watersheds);
  - developing a comprehensive strategy to address the water quality and habitat impact of outfalls; or
  - funding a network of effective advocates for Puget Sound recovery.
- Leverage additional funding through partnering with sister agencies to enact a state comprehensive sustainable funding strategy and with private entities, such as the Puget Sound Foundation. Lead organizations will work others to identify the appropriate amount of funding to designate for this purpose, based on the nexus of the six-year strategies and the objectives of potential investors.

Example Near Term Actions: E.3.4, E.3.12, and other Near Term Actions depending on the cross-cutting issues identified by Lead Organizations
Threats Addressed: Depends on cross-cutting priorities identified by Lead Organizations
Outputs: Outputs depend on the cross-cutting priorities identified by Lead Organizations, but should include additional restoration actions, and/or additional prevention actions across the four ecosystem areas of emphasis.
Outcomes: Improved ability to act or make decisions that result in durable protections for marine and nearshore resources; additional outcomes depend on the cross-cutting priorities identified by Lead Organizations, but should include enhanced protections or progress toward targets across the four ecosystem areas of emphasis.
Leverage Existing Programs: Puget Sound Foundation

Years Two Through Six: Continue investments in proposals that address cross-cutting priorities. Continue to pursue opportunities to leverage public and private funding according to a sustainable funding strategy.

Considering Climate Change

According to a study on Puget Sound prepared by the University of Washington's Climate Impacts Group, there is considerable evidence that regional temperatures are already rising and precipitation patterns are changing. Projections suggest that sea levels will rise, snowpack is likely to melt earlier each season, and the damage from winter storms could increase. The ongoing and anticipated future impacts of climate change will be factored into all aspects of the six-year strategy for marine and nearshore protection and restoration, including the evaluation and selection of sub-award projects.

Leadership Strategy

1. Adaptive Management

Science and adaptive management will guide our proposed six-year strategy in order to achieve significant progress toward the goal of recovering Puget Sound by 2020, as measured against quantitative 2020 ecosystem targets for the PSP dashboard indicators that represent the health of Puget Sound's ecosystem components. Establishing clear, strong targets is the essential first step in scaling our work to match the magnitude of the problem. Once set, targets that address

both cumulative and synergistic effects allow the 2-year benchmarks to be established, and the actions and strategies needed to achieve the benchmarks can then be identified. By using the Open Standards, this work can be accomplished in the revision of the Action Agenda in 2011. These targets will address goals and objectives in EPA's 2006-11 Strategic Plan.

Adaptive management is the cycle of exploration, action, evaluation, and adjustment that links science and policy. It is a vital element of the Puget Sound Partnerships *Strategic Science Plan (2010)* and to ongoing revisions of the Action Agenda and the Puget Sound Partnership's performance management system. It will be key to the recovery of Puget Sound. One of the first work products of our six-year strategy will be the adaptive management system that we will establish for measuring progress on outputs and outcomes. We will use interim results from the six-year strategy to work with the Partnership to adaptively manage the Action Agenda. The subaward criteria will include this adaptive management system and its requirements of grantees, and a performance audit will be conducted in the final year of the strategy.

The adaptive management strategy will include a significant investment in performance audits at the end of the six-year strategy to determine if funded programs are achieving both direct outputs and if the direct outputs are helping make progress toward the 2020 ecosystem targets. Programs that operate Sound-wide will be solicited as a six-year operating plan that includes a plan for on-going financial sustainability after five years. Subawards will include an end-of-program evaluation that either supports accessing other funding sources or supports a decision to redirect resources to higher priority or more promising approaches.

2. Strategic Coordination, Partnership, and Advice

Coordination with the Puget Sound Partnership Management Conference, other lead organizations, Local Integrating Organizations, lead entities, and other strategic partners is essential to achieving the outcomes of the six-year strategy. We propose three areas of coordination. First, the state agency lead organizations (which term includes agencies that are "co-leads") will immediately establish a lead-staff coordinating team, including PSP staff, which will carry forward the highly collaborative and transparent process employed to develop the four proposals. Potential state agency lead organizations have agreed to a common, coordinated leadership strategy to develop, implement and adaptively manage the six-year strategies across the four areas of emphasis in a collaborative fashion with governmental and non-governmental entities. It will be critical that this group establish a common work plan for integrating and aligning our work. For example, one of the first tasks will be to review the final work plans negotiated with EPA to identify cross-cutting actions that meet multiple objectives beyond just one area of emphasis. The actions would likely be prioritized for early support by subaward criteria. This work will ensure that there is no overlap or duplication of efforts with activities already funded by the federal government.

Second, we will establish a core group to oversee implementation of the strategy. We envision a close implementation partnership with the Department of Ecology in the area of shoreline master planning, a vital component of achieving the goals o this strategy. Ecology has a lead role in providing state oversight and support to local governments for shoreline management,

and once shoreline master programs are adopted, they become joint local-state policy and regulation. Ecology can also provide a conduit to local governments for two-way exchange of information on implementation activities.

Third, we recognize an ongoing need to seek strategic advice from a broad diversity of partners including, but not limited to, other Lead Organizations; the Puget Sound Partnership, Ecosystem Coordination Board, Local Integrating Organizations, and other parts of the Management Conference; and the many organizations that have indicated an interest in this proposal thus far.

Likely advisory functions include (with the likely partners), but are not limited to,

- Providing ongoing feedback to implementation of the six-year strategy, including near-term priorities; (ECB and entire Management Conference)
- Consulting on criteria for direct and competitive sub awards; (Management Conference and LIOs)
- Providing final review of proposed annual investments designed to implement strategy; (Leadership Council)
- Playing central role in integrating and implementing the public awareness and engagement efforts of the LOs and PSP; (ECB and LIOs)
- Assessing progress in achieving outcomes as they align with Action Agenda benchmarks/indicators and as they integrate across the four RFPs; (Science Panel, ECB) and
- Participating in adaptive management analysis and recommendations (Leadership Council and Science Panel).

We would use either a system of informal consultation with these entities through transparent implementation of the strategy, or we may find it more useful to ask these, and perhaps several other key parties, to provide a representative to a standing advisory group.

3. Public Coordination with PSP on Public and Stakeholder Involvement and Stewardship

This element has two basic components: (1) public and stakeholder involvement (i.e., transparency) process around the Action Agenda and respective lead organization work areas; and (2) coordination with the Partnership's awareness and stewardship programs focused on citizen best management practices. We will closely coordinate with the Partnership as they implement both the public and stakeholder involvement and stewardship programs. We will contribute information and expertise for marine and nearshore ecosystem components.

4. Coordination with Local Governments

Local governments are a key strategic partner in protecting and restoring Puget Sound. Many have devoted enormous energy and resources to overcoming barriers to progress. They are indispensible partners and must be supported in their work to enforce local land use, health, and water quality regulatory programs, many of which are key to protecting and restoring Puget Sound. Their education, outreach and public engagement programs have advanced work

in many areas of Puget Sound recovery. We will engage local governments through many avenues to gain the benefit of the knowledge and work to protect and restore Puget Sound.

5. Coordination with Tribal Governments

Puget Sound is part of a larger transboundary ecosystem which includes Puget Sound, Georgia Basin, and the Strait of Juan de Fuca, referred to together as the *Salish Sea* and which is the ancestral home of numerous Indian Tribes and First Nations, most of whom share the Coast Salish culture extant in this region for thousands of years. Tribes' critical role in the stewardship of the *Salish Sea* region spans distant as well as recent history. The economic and cultural well-being of tribes is directly linked to the health of their homelands and the natural systems supporting their resource base. Tribes in the Puget Sound Basin have knowledge, data and on-the-ground experience of their watersheds which could enrich the Lead Organizations ability to develop and implement the six-year strategy. They have the experience and capability to implement protection and restoration projects in their watersheds. The goal is to integrate tribal knowledge and resources effectively into the six-year strategies. In 1974, the Boldt Decision reaffirmed specific Tribes' treaty-protected fishing rights and more recent federal court rulings upholding treaty-reserved shellfish harvest rights confirmed these Tribes as natural resource managers. The unique legal status of Tribes and presence of tribally reserved rights and cultural interests throughout the state creates a special relationship between Tribes and the state agencies responsible for managing and protecting the natural resources of the state. The foundation of the tribal co-management, government-to-government practice has substantial precedence and is the outcome from implementation of treaties, the U.S. v. Washington court decisions, and numerous subsequent decisions. The 1989 Centennial Accord between the federally recognized Indian Tribes in Washington State and the State of Washington commits the parties to a government-to-government approach to address issues of mutual concern. Tribes have consistently demonstrated their commitment and ability to be competent and professional natural resource managers. Tribal homelands are the rivers and shorelines of this state and so tribes have an inextricable link with its water resources. EPA, Washington State, Tribes and Tribal consortia, local governments, and nonprofit organizations have partnered for over 20 years to protect and restore Puget Sound through the Clean Water Act (CWA) National Estuary Program. Effective coordination of state/tribal expertise will clearly help develop programs that will be far more appropriate and efficient than either could develop alone. The Lead Organizations commit to work within a cooperative management process with tribes to develop and implement the six-year strategies.

6. Coordination with Federal Partners

Federal Partners represented on the Puget Sound Federal Caucus have been participating in many Puget Sound protection and restoration programs for many years, and our strategy seeks to leverage and increase their important contributions. Relationships with EPA (National Estuary Program, among others), the US Army Corps of Engineers (PSNERP), NOAA (Community Restoration, among others), as well as the US Fish and Wildlife Service, Federal Emergency Management Agency, NRCS, and many others will be essential for progress. Aligning many federal programs with the goals of the Action Agenda has been an important piece of work by the Federal Caucus. We anticipate working with the Caucus to achieve improved alignment in

programs that touch the health of the Puget Sound nearshore and marine environments. The Puget Sound Recovery Act of 2010 (S. 2739) is currently being considered by Congress. Should the legislation become law, it would direct future federal funding in accordance with an annual priority list compiled by PSP. Consistent with the proposed leadership structure, Leadership Organizations and PSP would work to prioritize investments in each area of emphasis in consultation with the ECB.

7. Coordination with Canada

Please see page 200 of the 2009 Action Agenda for a discussion of coordination with Canada.

Funding Strategy and Subaward Projects

The subaward process is intended to efficiently provide funding to projects that most effectively and/or efficiently implement the priorities articulated in this proposal and demonstrate progress, in an adaptive management framework, toward 2020 ecosystem targets and interim benchmarks. The subaward process will include a process to competitively solicit proposals in each of the strategic areas of investment described in the Technical Approach section of this proposal. The overall process will include tracking and measuring progress toward achieving the expected outputs and outcomes. Although we would expect to formulate the specific steps of the review process during the post-award conversations with EPA, the competitive process will:

- Solicit proposals for innovative and ambitious actions that are consistent with the strategies and priorities described in our technical approach. Regardless of the type of action (programmatic or policy improvements, on-the-ground work, or scientific and technical studies), proposals will be judged on their ability to resolve long-standing barriers to implementation and to produce outputs and outcomes that advance achievement of 2020 ecosystem targets and interim benchmarks. Proposals will be expected to demonstrate these features through a logic model. We will coordinate with both the Science Panel and the Puget Sound Institute to assure that our collective efforts to advance applied science and technical studies are complementary.
- Be coordinated with other Lead Organizations across ecosystem categories to provide an efficient, coordinated process for making and managing competitive subawards and to ensure no duplication. Lead Organizations will administer the competitive subaward processes collectively to assure such efficiency and coordination, as well as a single application point.
- Identify important criteria by which subaward decisions will be made in the five areas of strategic investment, noting especially criteria that are applicable across the ecosystem categories. These criteria will be developed and vetted through coordination with the Management Conference, including Local Integrating Organizations (LIOs) where they have been established.
- Understand both regional and local priorities and create meaningful involvement for LIOs. The nature of LIO involvement may change throughout the six-year strategy as they become established and develop detailed workplans and priorities, as local priorities for implementing the Action Agenda are refined and identified as part of the work to be

completed by LIOs through the EPA grant awarded to the Puget Sound Partnership to manage the Action Agenda.

- Involve technical and policy review to ensure that actions proposed for funding are consistent with the Action Agenda, Open Standards, and achieving 2020 targets and benchmarks.
- Where possible and consistent with our priorities and areas of investment, use and/or enhance existing contracting mechanisms. Lead Organizations will attempt to set deadlines to avoid conflicts with existing, major grant processes such as those related to the Salmon Recovery Funding Board, Washington Wildlife and Recreation Program, Centennial Clean Water Fund, Estuary and Salmon Restoration Program, or Aquatic Lands Enhancement Account.

Lead organizations are committed to creating a seamless process that facilitates the ability of applicants to apply for funds easily and develop crosscutting proposals. A seamless process will also reduce duplication of work in contract administration, monitoring, and reporting requirements for both applicants and the lead organizations. DFW and DNR will use existing contracting systems and procedures to make and manage subawards. However, we will coordinate with other lead organizations and the Puget Sound Partnership to jointly create a single application point. This single application point will assure that potential applicants can easily access and monitor funding opportunities. Lead organizations will also jointly create a coordinated and unified timeline to facilitate the ability to package proposals that fund crosscutting activities.

The subaward process may also include direct (non-competitive) contracts with other entities where we have indicated so within a given area of emphasis in this proposal, particularly as is consistent with the “Lead Agency” and “Partners” that are specified in the “Near-term action implementation responsibilities” table of the Action Agenda. State agencies have committed to providing a transparent rationale for any decisions that result in direct contracts with other entities that explains why the work should be performed by the entity named.

We will structure subaward contracts as “deliverables based” contracts that link financial reimbursement to a demonstration of meeting major project milestones and deliverables. This method has been used extensively by several agencies, including as a fundamental component of the administration of the Estuary and Salmon Restoration Program (ESRP). This contracting method engages lead organizations and subawardees in up-front thinking to define the milestones and deliverables that the contract will result in, creates clear points of consultation between Lead Organizations and subawardees, and assures that dollars spent achieve project milestones and outputs. It provides an opportunity to coordinate among and leverage results of relevant subaward projects. In addition, all subaward contracts will include provisions to ensure implementation is monitored and that lessons learned can be disseminated among subawardees, the Management Conference, and other interested parties, as well as be used to adaptively manage the Action Agenda. Some or all contracts will be the subject of effectiveness monitoring, as well, according to the needs identified by the adaptive management component of this proposal. Subaward contracts will also embody any of the other requirements of subawards, including, for example, any monitoring, education, or outreach activities.

Contract Management Systems

DFW enters and manages all contractual agreements for any kind of funding, both payables and receivables into the Contracts and Project Management System(CAPS). This system is used to track all financial information and documentation on grants, obligations, contracts, sub grantee awards, personal services contracts and interagency agreements. It maintains electronic records of approvals, funding amounts and sources, amendments, contacts, assurances, required reports and any other information required by federal and state law. The system is used for tracking all fund sources, state, local, private and federal and tracking of milestones and performance measures. Some of the practices and processes include standard controls of contracts approvals, identification and tracking of indirect costs, controls over pre-approval spending, linking of contracts ledgers to the financial system AFRS, reports of contracts spending and balances. The system was developed within DFW and currently maintained by the DFW technology division. It is operated and owned by the DFW Contracts Office who are responsible for enhancements, ensuring it meets all legal requirements and the daily business operations which include ongoing staff training. The State Auditor reviews the system as part of the agency's yearly statutory audits and as a part of the A-133 single audit for Washington State. This system manages all DFW Grants and Cooperative agreements, including agency pass through and contracted funding and is well suited to provide the required information and management tools that will help DFW manage the proposed EPA grant. Development of the CAPS system began in 2000 and has been the sole DFW contracts system since 2004.

Nonfederal Match

The funding for a great number of DFW and DNR programs directly supports recovery of the marine and nearshore components of the Puget Sound ecosystem. DFW programs include the Hydraulic Project Approval (HPA) permit program, technical assistance in Puget Sound in support of local jurisdictions updating SMPs and GMA provisions, oil spill preparedness and response, aquatic invasive species prevention and management, management of selective fisheries, and a variety of science and monitoring programs. DNR programs include conducting aquatic land management, land use planning, stewardship science, aquatic reserves and information technology, as well as policy staff in the Commissioner's Office. During the first year, DFW and DNR will provide $3 million in nonfederal match that is committed to these activities, and is not used as nonfederal match for any other federal financial assistance. In years two through six, DFW and DNR will identify funds from these areas of work that are equivalent to the amount of funding provided by EPA, which is anticipated to be up to $9 million per year, for a total of up to $48 million over the six years. These funds will be committed and not used as nonfederal match for any other federal financial assistance.

Financial Management Systems

The State of Washington requires that all state agencies enter their financial information into the Agency Financial Reporting System (AFRS), the authorized central state accounting system, which is managed by the Washington State Office of Financial Management (OFM). Further, Washington law charges OFM to develop all state accounting and administrative policies and publish these in the State's Administrative and Accounting Manual (SAAM). AFRS is compliant with all GAAP and GASB rules and provides detailed ledgers and organizational, object, and

revenue codes in a comprehensive and flexible chart of accounts. All DFW reporting and financial statement information is supplied by one of the statewide reporting systems that are based on AFRS data. DFW follows all State Accounting Policies and is audited annually by the Washington State Auditor. DFW has also adopted policies and procedures related to contracts, travel and purchasing that align with the State Administrative and Accounting Manual governing the appropriate use and rules for managing state funds (http://www.ofm.wa.gov/policy/default.asp). An indirect rate cost plan agreement is submitted each year to the Department of Interior business negotiators for review and approval. The current rate of 23.32% on allowable costs is approved through June 30th 2011, and the 2012 proposal is currently being developed with an anticipated submission date of November 15, 2010.

Programmatic Capability and Past Performance

DFW enters into and receives many large scale federal assistance grants and cooperative funding agreements each year. Over the last five fiscal years the Department has received an average of 20 to 25 million dollars a year in Federal assistance. Large programs the Department is currently, or has recently, managed successfully include CFDA 11.436 Columbia River Fish Development Program, CFDA 15.605 Sport Fish Restoration, CFDA 15.611 Wildlife Restoration, CFDA 15.615 Cooperative Endangered Species, CFDA 15.608 Fish and Wildlife Management Assistance, CFDA 10.093 Voluntary Public Access and Habitat Incentive Program, and CFDA 15.633 Landowner Incentive Program.

Northwest Power and Conservation Council Fish and Wildlife Projects. From 1978-2009 DFW has planned and implemented a wide variety of enhancement projects to benefit fish, wildlife, and the habitats they depend on. The cumulative BPA budget for these projects is $114,487,677 dollars. Currently, DFW has 73 active projects that represent annual expense budgets of about $8.3 million, and total expenditures over $59 million over the life of these projects (Appendix 1). These ongoing projects have various start dates; the longest standing project has a successful implementation history of 28 years (it started in 1982). In each of these ongoing projects, DFW has been successful in managing the project within Budget and completing the specific work elements and deliverables needed to complete the agreements. The BPA deliverables for each project include in-year status reports in Pisces, annual progress reports, and a final completion report. DFW has an excellent track record of meeting the reporting requirements under the agreements as well as achieving the more tangible outputs and outcomes specified in habitat restoration and hatchery production projects.

Washington Estuary Habitat MOA with the Federal Action Agencies that Operate the Federal Columbia River Power System. The contractual arrangement for this Columbia River Estuary MOA is similar to the current EPA proposal because DFW receives direct funding for capacity to conduct restoration project scoping (about $350,000 per year) as a basis for long term (9-year) coordination and implementation of about 21 large-scale habitat restoration projects totaling about $41 million – that will be distributed to various entities on a competitive basis. Under the BPA-funded Scoping Project, DFW is coordinating the selection of restoration projects funded through the Estuary MOA, focusing on those that address factors limiting salmon and steelhead recovery and maximize the probability of measurable improvements in fish survival. DFW and

its subcontractor – the Lower Columbia Fish Recovery Board (LCFRB) – and Action Agency staff and contractors have described a number of provisional projects that could be implemented during the course of the Estuary MOA, i.e., 2010-2018. From this pool of potential projects, DFW and regional partners will conduct additional scoping to identify specific projects that DFW will sponsor to go forward to the Section 536 Feasibility Study process under the authority of the U.S. Army Corps of Engineers.

Organizational Experience and Staff Expertise

The Washington Department of Fish and Wildlife provides critical building blocks for the preservation and restoration of the Puget Sound ecosystem. DFW scientists provide data and research on the status and trends of Puget Sound's fish, wildlife, and habitats. DFW co-leads with the U.S. Army Corps of Engineers the Puget Sound Nearshore Ecosystem Restoration Project (PSNERP), a collaborative Sound-wide analysis of nearshore ecosystems that is a key nearshore component of the Puget Sound Action Agenda. DFW biologists oversee permits for construction projects in or near water in order to avoid, minimize, or mitigate impacts to fish or habitat, providing a statewide regulatory presence along Puget Sound's shorelines. DFW biologists, planners, and engineers provide scientific and management recommendations to other state agencies, local governments, watershed groups, salmon recovery groups, and the public. DFW peace officers enforce environmental regulations.

Administered by a state-wide elected Commissioner of Public Lands, the Washington Department of Natural Resources manages or has regulatory and/or proprietary responsibility for 41 percent of the combined uplands and submerged lands in the Puget Sound basin. The state owns and DNR manages and has proprietary authority over nearly all the land beneath both Puget Sound and the navigable rivers and streams feeding it and manages these lands for the public trust. DNR employs land management, policy development, information technology, land use planning, and scientific staff to carry out these responsibilities. DNR manages public resources on the basis of the three guiding principles of decision-making on the basis of sound science; managing public resources sustainably; and making decisions in the public interest and with the public's knowledge. The state law establishing the Puget Sound Partnership in 2007 (RCW.90.71) recognizes the importance of DNR to the recovery effort by naming the Commissioner of Public Lands to a permanent seat on the Ecosystem Coordination Board.

Recognizing each agency's important responsibilities for the health of Puget Sound, DNR and DFW have entered into a six-year memorandum of agreement to co-lead implementation of the strategy described in this proposal (see Attachment D). The collaborative process it outlines was successfully employed to prepare this proposal and reflects our approach to jointly leading transparent and collaborative implementation of the six-year strategy described in this proposal.

The synergy created by the partnership of our two agencies with similar missions and a broad sweep of authorities to protect and restore marine and nearshore ecosystems will allow us to achieve successful implementation of the six-year strategy within the context of an overall watershed and ecosystem-based approach.

Calendar Year Timeline	2011				2012				2013				2014				2015				2016			
Quarter	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
PROGRAM DEVELOPMENT																								
Negotiate final work plan and execute Cooperative Agreement with	X																							
LO Coordinating Team - establish & ongoing operations	X	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→
LO staff assignments and work plans	X																							
Identify crosscutting potential actions	X				X				X				X				X				X			
Develop marine-nearshore long-term investment strategy				X																				
SUBAWARD PROCESS																								
Stakeholder outreach	X	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→
Develop and launch single point of access	X																							
Develop criteria for each area of investment	X																							
Solicit proposals for year 1	X	X																						
Year 1 project selection		X																						
Year 1 subawards contracts active			→	→	→	X																		
Year 1 closeout, including monitoring and effectiveness review						X																		
Subaward process review				→	→	X																		
Solicit proposals for years 2- 6 (on annual basis)					X				X				X				X				X			
Year 2 - 6 project selection						X				X				X				X				X		
Year 2 - 6 subaward contracts active						X	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→
Year 2 - 6 closeout, including monitoring and effectiveness review						X				X				X				X				X		
Monitoring, evaluation, closeout report to EPA										X													X	X
ADAPTIVE MANAGEMENT																								
Revise 2008-09 Action Agenda with 2020 ecosystem targets	→	→	→	X																				
Provide PSP data from projects to adaptively manage Action Agenda						X				X				X				X				X		
Revise 2011 Action Agenda												X								X				
Participate in PSP refinement of indicators and targets	X	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→
Participate in PSP performance management system	X	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→	→
Conform long-term investment strategy to Action Agenda revisions									X				X				X				X			

Budget Summary: Federal Investment by Year (as a percentage of the yearly and six-year totals)

Federal Investment by Year (as a percentage of the totals)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	Total
Adaptive Management	9%	14%	14%	14%	14%	14%	13%
Effective Regulation and Stewardship	41%	37%	37%	37%	37%	37%	37%
Strategic Capital Investment	23%	18%	18%	18%	18%	18%	19%
Threat Reduction: Invasives	5%	5%	5%	5%	5%	5%	5%
Threat Reduction: Oil Spill	5%	5%	5%	5%	5%	5%	5%
Threat Reduction: Unsustainable Fishing		5%	5%	5%	5%	5%	4%
Set-Aside for Crosscutting Issues	9%	9%	9%	9%	9%	9%	9%
Program Management and Indirect Charges[1]	8%	8%	8%	8%	8%	8%	8%
Total	100%	100%	100%	100%	100%	100%	100%