

May 6, 2008

To: Leadership Council

From: Jim Cahill, Director of Accountability and Budget

Subject: Action Agenda Financing Strategy

Action: Information

### **Summary**

As part of developing a 2020 Action Agenda for the protection and recovery of Puget Sound, the Puget Sound Partnership (PSP) is required to complete a financing strategy for the Action Agenda. As specified under RCW 90.71.370 the financing strategy is to:

- Provide recommendations for projected funding needed through 2020 to implement the action agenda by action agenda element;
- Address funding responsibilities among local, state, and federal governments, as well as nongovernmental sources;
- Identify methods to secure stable and sufficient funding to meet these needs as well as proposals for new sources of funding to be dedicated to Puget Sound protection and recovery.

Based upon Partnership staff discussions and consultation with the Leadership Council's Financing subcommittee, the financing strategy will include four specific components.

#### **1. Cost Analysis**

The first task will be to estimate the cost of implementing the components of the Action Agenda. This would include estimates of capital costs as well as the costs of implementing regulatory and incentive based actions, and education and outreach programs by state, local governments, nonprofits and the private sector. This will be done by collecting and reviewing existing costs data and developing additional estimates as needed. The cost estimates for scientific research/modeling and monitoring needs will be developed as part of a Monitoring and Adaptive Management plan and will be included in the roll-up of total estimated costs.

#### **2. Cost-Effectiveness Analysis**

In order to help evaluate and prioritize strategies and specific actions, a cost/benefit model will be developed. This will include characterizing and quantifying existing benefit data related to Action Agenda actions and developing additional benefit estimates as needed. This model will evaluate the cost-effectiveness of investments outlined in the Action Agenda. Cost effectiveness would compare the costs of proposed strategy or

actions to its environmental benefits as well as broader economic benefits/costs to society. Linkages will be made with benchmarks and indicators work to ensure commonality in how benefits are being measured and expressed.

### **3. Analysis and Identification of Gaps in Existing Funding Sources**

As costs estimates are developed for Action Agenda components, they will be compared to existing public and private revenue streams available to implement these actions. This analysis would include a summary of current and projected spending for Action Agenda components, a comparison of current and projected funding sources with projected needs, and identification of funding gaps where new revenues would be required. This task would build upon existing work contained in the Puget Sound Salmon Recovery Plan and other state and federal sources. Recommendations would also be needed on assigning funding responsibilities among local, state, tribal and federal governments, as well as nongovernmental sources.

### **4. Proposals for New Funding Sources**

Traditional revenue sources to implement the Action Agenda consist primarily of multiple state and local tax revenues as well as a limited amount of federal funding. However, these traditional funding sources are likely to be insufficient to fully implement the Action Agenda. The financing strategy will include an analysis of existing funding mechanisms as well as options for new funding sources (for example a “flush tax”). A summary and analysis of nontraditional market and incentive programs would also be completed. This would include an examination of programs used nationally and internationally, such as the use of Transfer of Development Rights (TDRs), Water Quality Permit Trading, Mitigation Banking, Carbon Credits etc. Recommendations for the most promising new funding source will also be made.

### **Workplan**

To complete the tasks outlined above the Partnership has retained ECONorthwest of Eugene, Oregon to complete Tasks 1 and 2, Evergreen Funding Consultants of Seattle to complete Task 3 and to summarize the overall findings, and Parametrix’s Bellevue office to complete Tasks 4.

To help develop the strategy, a financial strategy advisory group will be formed consisting of key financial experts from state, tribal and local governments, as well as environmental and business groups. The role of this group will be to review and provide input on products as they are developed and to help gather any necessary information.

The following draft schedule to for Leadership Council review and comment on the finance strategy is proposed.

June 12/13 Discuss initial costs estimates, current funding opportunities and gaps.

July 23/24 Discuss initial findings of cost benefit analysis and potential new funding sources with the Leadership Council.

September 3/4 Complete final review and approve funding recommendations by the Leadership Council.

Prior to these meetings we will consult with the Leadership Council's Financing subcommittee and other members of the Council as necessary.

The Ecosystem Coordinating Board will also be briefed and consulted at its meetings in May – July.

Products of Topic Forums and Action Area workshops will be used to provide an initial sense of the breadth and depth of Action Agenda actions that the financing strategy will need to support.

A more refined workplan will be completed following further discussions with the consultants and other stakeholders.