

HOUSE BILL REPORT

HB 1785

As Reported by House Committee On:

Natural Resources
Capital Budget

Title: An act relating to implementing the recommendations of the joint legislative audit and review committee report regarding capital budget programs investing in the environment.

Brief Description: Implementing the recommendations of the joint legislative audit and review committee report regarding capital budget programs investing in the environment.

Sponsors: Representatives Murray, Alexander, Doumit, Rockefeller, Esser, Sump, Kenney and McIntire.

Brief History:

Committee Activity:

Natural Resources: 2/12/01, 2/14/01 [DPS];
Capital Budget: 3/8/01 [DPS(NR)].

Brief Summary of Substitute Bill

- The Office of Financial Management (OFM) is required to consult with natural resource related state agencies and develop a plan to implement the recommendations contained in Joint Legislative Audit and Review Committee (JLARC) report 01-1 on investing in the environment.
- The OFM is required to report to the natural resource and fiscal committees of the Legislature on the implementation of this section, along with any recommendations, by September 1, 2002.

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Doumit, Democratic Co-Chair; Sump, Republican Co-Chair; Pearson, Republican Vice Chair; Rockefeller, Democratic Vice Chair; Buck, G. Chandler, Eickmeyer, Jackley, Murray and Pennington.

Staff: Bill Lynch (786-7092).

Background:

The Joint Legislative Audit and Review Committee (JLARC) recently reviewed 12 capital budget programs administered by six agencies that provide grants and loans to local governments and other entities for environmental quality purposes. The audit noted that the amount of funding provided for these programs has been growing as well as the requests for program funding.

The JLARC final report 01-1 focused on the distinction between distributing versus investing money under these programs. Under an investment approach, information is gathered to determine whether the investments have been effective, and this information is integrated into the decision-making process. Without measurable returns, however, it is difficult to determine whether the investments have been effective. The JLARC report made several recommendations that would incorporate the investment approach into these environmental quality programs. These recommendations include increasing the systematic collection and sharing of information, integrating practices regarding the investment model into program structures and operations, streamlining and better integrating program services to local governments, and ensuring that the funding agencies work together to achieve these goals.

The Independent Science Panel, which was created to provide scientific oversight of the state's salmon recovery efforts, issued a report in December 2000 concerning monitoring. The report noted that although there are a number of monitoring efforts currently utilized by different programs, these monitoring efforts are largely uncoordinated and unlinked among programs, use different indicators, have different objectives, and lack support for sharing data. The report concluded that efforts to recover salmon will not be credible without comprehensive monitoring focused on recovery objectives.

Summary of Substitute Bill:

The Office of Financial Management (OFM) is required to consult with the Department of Ecology, Department of Natural Resources, Department of Fish and Wildlife, State Conservation Commission, State Parks and Recreation Commission, Interagency Committee for Outdoor Recreation, Salmon Recovery Funding Board, and the Public Works Board within the Department of Community Trade and Economic Development, and develop a plan to implement the recommendations contained in JLARC report 01-1 on investing in the environment. The OFM is required to report to the natural resource and fiscal committees of the Legislature on the implementation of this section, along with any recommendations, by September 1, 2002. These natural resource agencies are required to assist OFM in developing the plan and recommendations.

The plan must particularly address the report's recommendations regarding development of baseline data, project prioritization and selection criteria, monitoring systems, shared

and accessible data systems, and improved coordination among the natural resource agencies and others.

The portion of the plan addressing project prioritization and selection processes and criteria for grants and loans may include: clear documentation of the process that ensures the process is open, objective, and clear as to how decisions are made; criteria that evaluates the expected benefits to be produced by the projects; criteria that evaluates the likelihood of the proposed environmental benefits being achieved based upon the overall design of the project and the ability of the applicant to perform the project; an assessment of the benefits of the proposed project relative to the money being provided; a preference for projects that can document a readiness to proceed; a proposed implementation plan and schedule that is specified in contract; and the use of a minimum investment threshold which prohibits funding for projects that haven't demonstrated a likelihood of producing desired returns on the investment.

The plan may develop project reporting and monitoring requirements and adaptive management processes for grants and loans that provide: a preference for projects that include baseline monitoring; a requirement for implementation monitoring that provides confirmation that the projects was correctly implemented; a requirement for effectiveness monitoring to allow an accurate assessment of whether the objectives of the project are being achieved; a strategy for validation monitoring and adaptive management to allow information obtained from the project to be analyzed and integrated into decision making; and a coordinated approach for sharing workload and information among appropriate federal, state, local, and tribal agencies, nonprofit and volunteer groups, and other project sponsors.

The effectiveness monitoring component must include clearly articulated objectives to be addressed; appropriate indicators and variables; standardized protocols to allow for comparison among locations, times, and programs; and programs to ensure quality assurance and quality control of the data.

The plan may provide for implementation of the plan in phases to maximize the use of available funding for improving the environment while incorporating the JLARC recommendations.

Substitute Bill Compared to Original Bill:

The elements of the plan pertaining to project reporting and monitoring and adaptive management processes permissive rather than mandatory parts of the plan.

Appropriation: None.

Fiscal Note: Requested on February 11, 2001.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: The Legislature is frequently re-appropriating money that isn't spent because the projects aren't ready to proceed. Improving state agency coordination is very important. Access to available data and information is critical for making good decisions. We need to shift from a distribution approach to an investment approach. This is a good initial step, but it is a work-in-progress.

Testimony Against: This legislation does not include stakeholder input. This could have major ramifications because if more monitoring requirements are imposed upon local governments, more money would have to be made available for monitoring. This bill is unclear as to whether it intends better linkage between state agencies regarding what they do now, or a zero-based budgeting approach to these grant and loan programs. The language in the bill suggests that a cost-benefit analysis should be used for evaluating projects, which would work against smaller projects because of economies of scale. Monitoring can be very expensive. Agencies are doing more talking with each other about monitoring. These programs use strict criteria at the front-end of the grant or loan process to help ensure that the projects will provide good results. It is difficult to measure the effectiveness of a particular project - care must be taken to ask the right questions about how it is working.

Testified: (In support) Representative Murray, prime sponsor.

(In support with concerns) Carol Jolly, governor's office; Jim Fox, Salmon Recovery Funding Board; Gerry O'Keefe, Department of Ecology; Mike Ryherd, Washington Wildlife and Recreation Coalition; and Paul Parker, Washington State Association of Counties.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill by Committee on Natural Resources be substituted therefor and the substitute bill do pass. Signed by 17 members: Representatives Alexander, Republican Co-Chair; Murray, Democratic Co-Chair; Armstrong, Republican Vice Chair; Esser, Republican Vice Chair; McIntire, Democratic Vice Chair; Barlean, Bush, Casada, Hankins, Hunt, O'Brien, Ogden, Poulsen, Reardon, Schoesler, Veloria and Woods.

Minority Report: Do not pass. Signed by 1 member: Representative Lantz.

Staff: Jeff Olsen (786-7157).

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Natural Resources:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Overall the Office of Financial Management agrees with the goals and results in the JLARC report to target state dollars for environmental improvements. The state has already made steps in this direction, and newer programs, such as the Salmon Recovery Funding Board, are more investment oriented and coordinated with other agencies than older programs. One major obstacle to carrying out the JLARC recommendations is the lack of baseline monitoring data on water quality, quantity, and habitat. In order to establish priorities for funding, there needs to be a database of information to guide investments. There have been attempts to increase monitoring activities, but there has not been funding to support these efforts. Another concern about moving forward is identifying a source of funds used to pay for monitoring. Should the money come out of the grant programs, or should the state pay for the monitoring from state agency programs? Existing programs have current statutory direction, and programs already attempt to prioritize projects for funding. Statutory changes are not needed for some programs to implement recommendations, and some grant programs are already looking at how to implement provisions of the JLARC study.

Testimony Against: None.

Testified: (Concerns) Carol Jolly, Governor's Office; Len Barson, The Nature Conservatory; Eric Espenhorst, Friends of the Earth; and Paul Parker, Washington State Association of Counties.