AGENCY RESPONSES

Appendix 2

- Department of Natural Resources
- Department of Fish and Wildlife
- Office of Financial Management
- Auditor's Comments

WASHINGTON STATE DEPARTMENT OF
Natural Resources

JENNIFER M. BELCHER
Commissioner of Public Lands

October 28, 1998

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JLARC

Mr. Thomas Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee
P.O. Box 40910
Olympia, WA 98504-0910

Dear Tom:

Thank you for the opportunity to provide an additional formal response to the evaluation of the implementation of the Environmental Restoration Jobs Act (ESHB 1786, Jobs for the Environment/JFE). This is a response to the modified Recommendation 3.

JLARC modified Recommendation 3: The Department of Natural Resources should prioritize the Jobs for the Environment program-specific needs and establish benchmarks for cost-effective projects to ensure program efficiency and cost effectiveness. The department should provide this information to the legislature before the 1999 Legislative Session.

Agency Response: Partially Concur

Comment: DNR will identify the most likely locations and/or types of restoration work best undertaken by the JFE program to meet the program's current legislative authority and which will best utilize the JFE program's strengths in helping to carry out the state's salmon recovery strategy. This basic approach is consistent with JLARC's auditor's note (appendix, October 6, 1998 draft of the proposed final report) which states: *"This might involve nothing more than identifying the types or areas of projects needed and their relative priorities."*

Regarding cost effectiveness benchmarks, DNR is working toward establishing responsible cost ranges for the types of restoration work we have performed since 1993. These cost ranges will be applied in acting upon requests for future funding. Referencing these ranges of allowable costs before setting the budget for any future project will provide flexibility in producing effective project design and cost accountability. Each project has unique as well as predictable components that affect cost and long term performance in a specific watershed at a particular location. These components include such things as soils, slopes, weather, stream flows, fish and wildlife habitat needs, and land owner issues. Given the program's emphasis on providing stable family wage jobs, acceptable costs will be based on an approved wage and benefit level.

If you need additional information, please feel free to call me at 902-1045.

Sincerely,

Amy Bell
Deputy Supervisor, Resource Protection

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WASHINGTON STATE DEPARTMENT OF
Natural Resources

JENNIFER M. BELCHER
Commissioner of Public Lands

September 10, 1998

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JLARC

Ron Perry, Acting Legislative Auditor
Joint Legislative Audit and Review Committee
P.O. Box 40910
Olympia, WA 98504-0910

Dear Ron:

Thank you for the opportunity to provide our formal response to the evaluation of the implementation of the Environmental Restoration Jobs Act (ESHB 1786, Jobs for the Environment/JFE). Our response is tailored around each of your four recommendations.

JLARC Recommendation 1: The Legislature should consider amending the original legislation (Chapter 43.21J RCW) for the purpose of clarifying its intent for the JFE program funding and operations, and deleting sections of the law that are no longer needed.

Agency Position: Concur.

Comment: It needs to be emphasized that the original legislation (Chapter 43.21J) was never funded or implemented. The authority provided by the Legislature to implement the JFE Program was contained solely in budget provisos. These provisos differed from RCW 43.21J. Evaluation of the JFE program based on RCW 43.21J implies that the Department of Natural Resources had the authority and direction to implement this statute when in fact such authority and direction were never provided. In meeting the requirements of the JFE appropriations and associated budget provisos, the department has used RCW 43.21J to the extent possible, as guidance for the JFE program, but the lack of direct connection between the appropriations and statute has resulted in ambiguity. We strongly agree that the Legislature should clarify its intent regarding the JFE program and expectations of JFE related to RCW 43.21J.

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JLARC Recommendation 2: Prior to the 1999 Legislative Session, the department should submit a plan to the Legislature for the long-term monitoring of the JFE program. The plan should include cost estimates and options for documenting the program's success in:

- making sustainable improvements in water and habitat quality; and
- providing economic benefits in targeted areas.

Agency Response: Partially concur.

Comments: The department agrees that long-term monitoring is a key component of watershed restoration. The initial appropriations for JFE did not identify monitoring as an eligible activity for which the department could make expenditures. In 1996, the department submitted a proposal for achieving long-term monitoring of JFE projects as part of draft legislation submitted to the Legislature. This legislation was never approved. In 1997, the department was given authorization to spend JFE dollars on monitoring as part of the biennial appropriation for the JFE program, but even this does not allow for monitoring on a long-term basis to determine sustainable improvements in water quality and habitat.

We continue to believe that the 1996 legislative proposal contains the elements needed for long-term monitoring and that this provides the basis for the requested plan. This approach was based on "fostering qualified voluntary watershed partnerships dedicated to create and implement a long-term restoration and conservation plan, including a required long-term monitoring program." Elements of the approach include:

- Ten percent of the funds appropriated to the JFE program would be used to fund local partnerships to develop and/or conduct area-wide monitoring and assessment of the watershed. The plan would identify the biological indicators, the key locations and participants, and the key protocols for reporting the conditions of concern. JFE approval of the plan would be required.
- The plan must include a financial commitment from the key local partners and state and federal agencies with lands in the watershed to finance the on-going monitoring work.
- The plan must be self-supporting within five years, with state financial involvement not to exceed the percent of the state-owned land base within the watershed.

- In order for a local partnership to eligible for future JFE grants, a watershed monitoring program (as part of the local public/private partnership's overall watershed plan) would be required within three years.

With regard to monitoring economic benefits in targeted areas, we do not believe that measuring the economic impact on a regional basis is feasible. JFE is simply too small to have a measurable impact on a regional economy. Current economic models are insufficiently sensitive to measure the impact of JFE dollars in a cost-effective manner. The measurements that JFE has been providing (wages paid, employment status, and tenure of workers) are aimed at reflecting the benefits received at the individual/household level and are more effective given the program's past funding levels.

JLARC Recommendation 3: The department should conduct a statewide needs assessment and establish benchmarks for cost-effective JFE projects to ensure program efficiency and cost effectiveness. Furthermore, the department should report its findings about the needs assessment to the Legislature before the 1999 legislative session.

Agency Response: Do not concur.

Comments: We do not believe that an additional needs assessment is required. The JFE program currently utilizes the Salmon and Steelhead Stocking Inventory (SASSI), local watershed planning efforts, stream typing studies, the Department of Fish and Wildlife's Wild Salmonid Policy, and potential listings of threatened and endangered species under the Endangered Species Act. As directed in the 1997-99 appropriation, the JFE program uses the best available science in determining projects that address factors limiting fish and wildlife populations. Because the available information about the health of watersheds and species has improved over the course of the JFE program, the program has made use of the best information available. Conducting a program specific needs assessment is unlikely to produce better information than what already exists and would require funds that would otherwise go to on-the-ground improvements.

With regard to cost efficiency benchmarks, the JFE program is currently undertaking a review of randomly-selected JFE projects, evaluating their performance against expected outcomes, and looking for potential improvements. This process should provide a good indication of the JFE program's cost effectiveness. This information should be ready in time to share with the 1999 Legislature. We do not believe that further work on benchmarks is warranted.

JLARC Recommendation 4: The Legislature should consider clarifying in law the allowable types and levels of administrative expenses for the JFE program to ensure accountability and to maximize the use of funds for direct program services.

Agency Response: Concur.

Comments: Since 1994, the JFE program has consistently worked to get as large a percentage of funds "on-the-ground" as possible. The technical information available for doing "state of the art" fish habitat restoration has grown markedly since the JFE program first started five years ago. To respond to this, the program has acted to ensure the work performed is done correctly the first time, and that it is consistent with current applied science. To do otherwise would reduce our cost efficiency by requiring frequent corrective action. The quality and quantity of the work performed through the JFE program is a reflection of the administrative and technical support dollars we have invested. Also, local JFE partners have collaborated in this effort by blending local administrative resources with state grant dollars and thereby reducing their administrative reimbursements from the state a full one third.

We agree that clarification of legislative intent regarding administrative expenses would be beneficial. In providing that clarification we believe that the importance of appropriate administrative and technical support in accomplishing successful projects needs to be recognized.

If you need additional information, please feel free to call Randy Acker, Resource Protection Division manager, at 902-1011.

Sincerely,

Kaleen Cottingham
Deputy Commissioner of Public Lands

KC:cwp

(98F-0008)

September 10, 1998

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JLARC

Mr. Tom Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue Southeast
Post Office Box 40910
Olympia, Washington 98501-2323

Dear Mr. Sykes:

Your letter of August 27 to our director has been referred to me for reply. In that letter you asked for the position of our agency on the recommendations made in your preliminary report on the Environmental Restoration Jobs Act, also known as the Jobs for the Environment (JFE) program. We provide our comments below.

Recommendation 1, "The Legislature should consider amending the original legislation (Chapter 43.21J RCW) for the purpose of clarifying its intent for the JFE program funding and operations and deleting sections of law that are no longer needed" -- We concur.

Recommendation 2, "...the Department of Natural Resources should submit a plan to the legislature for long-term monitoring of the JFE program..." -- We understand that the Department of Natural Resources partially concurs with this recommendation and we support their position. Throughout the life of the JFE program monitoring has been an unfunded need.

Recommendation 3, "The Department of Natural Resources should conduct a statewide needs assessment and establish benchmarks for cost-effective JFE projects..." -- We do not concur with this recommendation. Many needs assessments related to watersheds and fish stocks exist; for example, the Wild Salmonid Policy, Watershed Recovery Inventory Project, Salmon and Steelhead Stocking Inventory (SASSI) and locations of watersheds containing endangered and threatened salmonid populations provide adequate needs assessments to adequately direct the JFE program. If any additional guidance is provided by the legislature, we recommend that clarification be provided that critical resident fish populations be provided the same level of priority as anadromous fish in the JFE program.

Recommendation 4, "The legislature should consider clarifying in law the allowable types and levels of administrative expenses for the Jobs for the Environment program..." -- We concur and

we recommend that the legislature clarify that on-the-ground biological and engineering technical assistance provided to applicants should not be considered an administrative expense.

We know of no other program where this type of biological and engineering technical assistance is considered as an administrative expense.

Thank you for the opportunity to provide comments on your preliminary report.

Sincerely,

Greg Hueckel
Deputy Assistant Director
Habitat and Lands Services Program

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September 16, 1998

Mr. Thomas M. Sykes
Legislative Auditor
Post Office Box 40910
Olympia, Washington 98504-0910

Dear Mr. ~~Sykes~~: Tom

Thank you for your letter requesting the Office of Financial Management's (OFM) response on the preliminary report on the evaluation of the Environmental Restoration Jobs Act and the Jobs for the Environment Program by the Joint Legislative Audit and Review Committee as required under RCW 43.21J.800. Attached is OFM's response to this review in the format you requested. OFM will rely on this report rather than conducting its own program and fiscal review as allowed under RCW 43.131.050. If you have questions regarding this response, please contact Jim Cahill at 902-0569.

Sincerely,

Dick Thompson
Director

DT:JC:lh
Enclosure
cc: Candace Espeseth, OFM
Kay Baxstrom, OFM
Jim Cahill, OFM

Office of Financial Management
Comments on the Preliminary Report for the Environmental Restoration Jobs Act and the Jobs for the Environment Program
September 16, 1998

Recommendation	Agency Position	Comments
Recommendation 1 *The Legislature should consider amending the original legislation (Chapter 43.21J RCW) for the purpose of clarifying its intent for the Jobs for the Environment (JFE) program funding and operation, and deleting sections of law that are no longer needed.*	Concur	The Environmental Restoration Jobs Act (ERJA) of 1993 was never funded or implemented (RCW 43.21J). Rather, the Legislature established the Jobs for the Environment (JFE) program through budget proviso. Although the JFE program contains several of the elements described in the ERJA, there is no permanent statutory guidance for the JFE program. Establishing clear and continuing guidance crossing biennial lines would be extremely beneficial.
Recommendation 2 *Prior to the 1999 Legislative Session, the Department of Natural Resources (DNR) should submit a plan to the Legislature for long-term monitoring of the JFE program. The plan should include costs estimates and options for documenting the program's success in: 1) Making substantial improvements in water and habitat quality; and 2) Provide economic benefits in targeted areas.*	Partially concur	OFM strongly supports DNR submitting a plan to the Governor and Legislature for long-term habitat monitoring of the JFE program. Although progress was made in 1996 when the DNR was given authorization to spend JFE dollars on monitoring, additional monitoring to determine the long-term impact of JFE projects on water quality, habitat and salmonid populations is needed. The legislative proposal developed by the DNR in 1996 could form the basis for this plan. The DNR should work with the Department of Fish and Wildlife in developing this habitat-monitoring plan. OFM concurs with the Department of Natural Resources that measuring the economic impact of the JFE program on a local or regional basis is not feasible. We would strongly encourage DNR to continue to collect information on the impact of the JFE at the individual/household level.

Recommendation 3 *The DNR should conduct a statewide needs assessment and establish benchmarks for cost-effective JFE projects to ensure program efficiency and costs-effectiveness. Furthermore, the Department should report its findings about the needs assessment to the Legislature before the 1999 Legislative Session.*	Partially concur	OFM agrees with DNR that an additional needs assessment is not required. The need for the program is evidenced by the potential and existing listing of threatened and endangered species under the Endangered Species Act, many of which are in economically distressed areas. Establishing benchmarks for cost-effective JFE projects would be beneficial. Comparing the JFE program to similar programs run by the U.S. Forest Service and other agencies, as well as the DNR's random review of selected JFE projects, could be the basis for these benchmarks.
Recommendation 4 *The Legislature should consider clarifying in law the allowable types and levels of administrative expenses for the JFE program to ensure accountability and to maximize the use of funds for direct program services.*	Concur	Successful implementation of the JFE program requires both technical and administrative support. Establishing clear guidance on the types and levels of allowable administrative expenses would be beneficial and establish clear legislative expectations for the DNR.

AUDITOR'S COMMENTS

Both the Department of Natural Resources and the Department of Fish and Wildlife did not concur with our Recommendation 3 (see agency responses). Following are JLARC staff comments to their response:

Needs Assessment - We acknowledge the importance of various studies used by program officials to identify/verify needs. Because these studies are not specific to the JFE program, we think it will be useful to prioritize program-specific needs relating to both environmental restoration as well as training and employment of dislocated natural resource workers. This might involve nothing more than identifying the types or areas of projects needed and their relative priorities. Such prioritization will maximize the effective use of program's limited resources when awarding grants. The program's current process of scoring and ranking grant proposals does not clearly specify a prioritization of needs.

Benchmarks for Cost-effectiveness - If the Department of Natural Resources' current review of its selected JFE projects results in establishing benchmarks for cost-effectiveness, we do not suggest further work on benchmarks.

Based on the agency response, we have modified Recommendation 3 as follows:

The Department of Natural Resources should prioritize the Jobs for the Environment program-specific needs and establish benchmarks for cost-effective projects to ensure program efficiency and cost-effectiveness. The department should provide this information to the legislature before the 1999 Legislative Session.

Subsequent to the October 6, 1998, meeting of the Joint Legislative Audit and Review Committee, the Department of Natural Resources provided a written response to the modified recommendation. Their response is attached in this appendix.