Net Ecological Gain Interim Proviso Report

Washington Department of Fish and Wildlife (WDFW)

June 2024



Washington Department of **FISH & WILDLIFE**

Net Ecological Gain Interim Proviso Report

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Report Acknowledgements

We would like to express sincere thanks to our collaborative partners on the Net Ecological Gain Core Team. Their insights, expertise, and support will continue to be critical for the success of this project. Additionally, we acknowledge the continued support of the Washington State Legislature and the Washington Department of Fish and Wildlife.



Cover photo by Nathaniel Gonzales.

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Razor clamming at sunset. Photo credit: Chris Curtis.

Acknowledging the Indigenous People, Land, and Culture of the Pacific Northwest

Since time immemorial, Indigenous People have graced the Pacific Northwest with rich traditions of many diverse cultures, languages, traditional knowledge expressed artistically and practically with intricate principles passed down throughout generations. As the first stewards of this land, Indigenous People from this part of the world are ancestrally engrained in the very fabric of this region that is known today as Washington State.

Washington Department of Fish and Wildlife (WDFW) acknowledges the American Indian Tribes as the original occupants of this land enjoyed today by all Washingtonians. Their historic reliance to hunt, fish, and gather traditional foods defines their inherent responsibilities to protect and steward the precious resources on the waters and landscape shared today by all Washington residents.

The very survival of the Pacific Northwest Tribes is a testament of resiliency of what they have endured and continue to endure throughout generations on this very landscape. Through scarred valor, many historical encounters of massacre, renunciation of religious freedom, systemic racism, cultural assimilation of native children through institutional residential schools, and the fight for their inherent rights and liberties, they have prevailed. Throughout this tormented history brought by colonization, abrogated treaties, infringement of civil rights, and the salmon protests of the 1960s, the Northwest Tribes and WDFW have founded a commitment of respect, unity, and alliance taught by the realities of the past.

Today Tribal governments and WDFW work collaboratively to conserve and manage aquatic and terrestrial resources across the State and practice sound science to ensure successful resource management decisions. The Tribes and WDFW work together to ensure the sustainability of fish, wildlife, ecosystems, and culture for the next seven generations and beyond.

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WDFW Cover Letter

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June 30, 2024

The Honorable June Robinson Chair, Senate Ways and Means 303 John A. Cherberg Building Post Office Box 40466 Olympia, WA 98504-0466

The Honorable Van De Wege Chair, Senate Agriculture, Water Natural Resources, and Parks 212 John A. Cherberg Building Post Office Box 40424 Olympia, WA 98504-0424 The Honorable Timm Ormsby Chair, House Appropriations 315 John L. O'Brien Building Post Office Box 40600 Olympia, WA 98504-0600

The Honorable Mike Chapman Chair, House Agriculture and Natural Resources 132B Legislative Building Post Office Box 40600 Olympia, WA 98504-0600

Dear Chairs Robinson, Ormsby, Van De Wege, and Chapman,

During the 2023 Legislative session—through a proviso contained within Engrossed Substitute Senate Bill 5187—the Washington State Legislature directed the Washington Department of Fish and Wildlife (WDFW) to continue the development of a Net Ecological Gain (NEG) policy and funding framework, which was initiated under a similar proviso in 2022. The establishment of NEG in state law in Washington could bring vast ecosystem improvements to habitats and species of this state, as well as benefits to citizens through improving environmental conditions statewide. WDFW appreciates that the Legislature has shown an interest in NEG policy that could further our shared interest to preserve, protect, and perpetuate Washington's fish, wildlife, and ecosystems.

The following report is provided as an interim deliverable, and a final report is due June 30, 2025. In this interim report we provide progress updates on the tasks set forth in the proviso language. The most prominent element of the proviso directed WDFW to convene a workgroup focused on a suite of technical tasks related to NEG implementation. We have formed the Core Team and held several meetings to develop the technical deliverables required in the final report. The Core Team has also had productive dialogue to reiterate and clarify the shared interests in exploring NEG policies, programs, and funding mechanisms in order to strengthen the coalition of support. We have also launched a separate, dedicated tribal consultation process which will include policy and technical briefings in the next year.

One of the most evident and familiar principles to emerge thus far is the relationship between improving environmental conditions (such as through NEG) and successfully protecting the

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habitats environmental conditions that exist today. Net Ecological Gain is positioned at this critical intersection among protection, restoration, and development – it provides the policy, program, and funding framework to maximize the potential for human development to contribute a net benefit to the environment. The complementary nature of protection, restoration, and NEG represents substantial progress towards a state where we are confident that our restoration efforts outpace the degradation associated with human population growth and development.

The success of NEG will depend on strengthening the implementation of existing Washington policy of No Net Loss (NNL), in order to protect shorelines, wetlands, and other critical habitats. This report highlights that existing NNL policies and programs are not being fully implemented, and improvements in implementation and enforcement of NNL are needed to protect our state's rich natural heritage and provide a strong foundation for environmental gains.

We hope this report maintains or increases legislative interest in NEG policies, programs, and funding mechanisms, and more detailed recommendations that will come in the June 2025 final report. With a rapidly growing human population and a changing climate, bold policies to improve environment conditions beyond the current state offer some of our best chances to recover critical habitats and species in Washington. While the work under this proviso represents progress towards developing NEG policy, programs, and funding, successful implementation will require the support of elected leaders, tribes, stakeholders, and local communities. We welcome your interest and questions, which will help us shape the remainder of the proviso work and maximize opportunities for legislators to champion it in the future.

If you have any questions about this report or the Department's efforts in this area, please contact Margen Carlson, WDFW's Director of Conservation, at (360) 480-1821.

Sincerely,

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Kelly Susewind Director

cc: Ruth Musgrave, Senior Policy Advisory to Governor Inslee Margen Carlson, Director of Conservation



View of a chum salmon underwater mostly out of water and spawning on a shoreline. Photo credit: U.S. Fish and Wildlife Service - Pacific Region.

Executive Summary

In 2023, a legislative proviso directed the Washington State Department of Fish and Wildlife (WDFW) to **convene a work group focused on developing a Net Ecological Gain (NEG) implementation framework**. NEG is intended to exceed current efforts to protect and restore ecosystems across the state —including No Net Loss regulatory policies—by identifying options to require and/or incentivize projects to increase biodiversity and/or resilience in affected ecosystems.

Previously, at the direction of the legislature following the 2019 Governor's Orca Task Force Recommendations, WDFW investigated a pathway for incorporating an NEG standard into state law through research and engagement with various Tribal and stakeholder groups, supported by the Washington State Academy of Sciences. The current phase of this project represents a collaborative effort among state agencies, federally recognized Tribes, local governments, and key partners across Washington to develop recommendations for a path forward on NEG implementation.

This interim report captures key project milestones, such as the formation of the NEG Core Team and the grant program review and prioritization criteria, outlines the progress on the project to date, and highlights ongoing NEG dialogue that will continue as we work toward final NEG framework recommendations.

Specifically, the interim report provides updates or recommendations on the following:

- Facilitation of the work group focused on developing an NEG implementation framework. WDFW is meeting the legislative directive with the formation of the NEG Core Team—which serves as the primary body for collaborative exploration of an NEG implementation framework. The Core Team works simultaneously with technical experts to build an understanding of NEG, explore options for pursuing an NEG implementation framework, discuss areas of concern and key barriers to successful implementation, and coalesce around recommendations for a path forward. The Core Team has had its first two meetings and is in the process of developing the full scope of technical work and additional engagement to support key decision-making. Furthermore, WDFW is working with Tribal partners in parallel to participate in proviso-directed processes, ensure open lines of communication, and provide opportunities for collaboration as the NEG framework is developed and refined. Project progress is detailed in Engagement & Facilitation below.
- Initiation of technical tasks outlined in the proviso. To support the feasibility of building and implementing an NEG framework in the future, the project team will conduct research and collaborate with the Core Team and other partners to address key tasks outlined in the proviso. These tasks encompass further defining NEG criteria and scale; developing monitoring, enforcement, and assessment criteria; considering an assessment model for NEG; and providing policy and budget recommendations. Project progress is detailed in <u>Technical Task Progress</u> below.
- Identification and review of grant programs for NEG application, which included the review of applicable state-funded grant programs, interviewing grant managers, and developing guidance for integrating NEG prioritization criteria. The approach, methodology, findings, and recommendations for NEG criteria based on this work is detailed in <u>Grant Program Review for</u> <u>Net Ecological Gain Application</u> below.

Throughout the report, the project team has highlighted where ongoing dialogue is occurring with the Core Team. The intent is to continue to discuss these various topics as a group and come to further agreement for the final report. With the completion of the remaining technical work, engagement with the NEG Core Team and other technical experts, and consultation with Tribes, WDFW will develop a final report that outlines potential pathways forward on NEG implementation, including budget and policy recommendations in alignment with grant program management in Washington State.



View from a mature sagebrush field on Conservation Reserve Program (CRP) land. Photo credit: WDFW.

Purpose

Washington's Ecological Systems

Washington is home to diverse landscapes and ecosystems supporting unique species, which are integral to the state's cultural identity and sense of place, as well as key to the state's economy, recreation, and to Tribal treaty rights. Washington has a responsibility to co-manage fisheries with Tribal governments and to manage natural resources to support treaty rights. However, the current land use regulatory framework continues to allow development pressures to degrade and threaten Washington's ecosystems, wildlife, and people. These pressures are expected to intensify in the face of continued climate change and population increases, further impacting the ecosystem services gained from healthy environments such as clean water and air, food security, and climate resilience.

ONGOING DIALOGUE

The 2021 proviso summary report made the key recommendation to improve monitoring and enforcement of local environmental standards to successfully implement NNL. However, there is some disagreement about the extent to which NNL could function as an effective approach to protect ecosystems at scale, even when properly implemented. As environmental degradation continues, and degradation from past development remains, there may be a need to rethink environmental protections in an NEG implementation framework.

In response to the current and anticipated declines in ecological functions within the state, the legislature directed WDFW to develop a net ecological gain (NEG) implementation framework that enhances t ecosystem functions and increases biodiversity and resilience. The NEG framework is intended to complement existing state policies that offset ecological impacts of individual projects but have because existing policies have allowed continued degradation of Washington's ecosystems. Washington state has already taken steps to manage development impacts, including the adoption of No Net Loss (NNL) requirements in legislation such as the Growth Management Act, Shoreline Management Act, State Environmental Policy Act, and the Hydraulic Permit Applications - to name a few. However, these legal protections fall short of effectively mitigating the impacts of new development on ecosystems. Environmental degradation continues due to exemptions in permitting requirements, permissive variances, lack of enforcement, and other statutory and implementation issues. Therefore, NNL as currently implemented, is not effectively protecting existing resources, and these implementation issues need to be fixed for existing policy to provide a solid foundation for gains. Incorporating an NEG implementation framework into state policy may be an essential next step in protecting and restoring the state's many important species and habitats – and the success of NEG will depend on improved implementation of NNL. Indeed, the NEG framework and associated technical products may improve NNL processes through improved tracking, accountability, and transparency.

NEG represents a proactive step to ensure vibrant and functioning ecosystems continue to exist and expand in Washington into the future, and effective implementation requires careful collaboration between agencies and implementation partners to ensure that gains are realized.

2023 Legislative Proviso

The proviso contained within Engrossed Substitute Senate Bill 5187 (see <u>Appendix A. 2023 Legislative</u> <u>Proviso</u>) directs WDFW to lead a process that builds on previous Net Ecological Gain discussions though the facilitation of a work group focused on developing an NEG implementation framework and to complete a review of existing grant programs with recommendations on the potential addition of an NEG into prioritization criteria. These requirements, and the strategy to address them, are detailed below.

"...facilitate a work group focused on developing a net ecological gain implementation framework."

The proviso directs WDFW to convene a work group focused on developing an NEG implementation framework. To meet this directive, WDFW and the project team established an NEG Core Team (Core Team) to serve as the work group.

The Core Team includes representatives from WDFW, the Department of Commerce (Commerce), the Department of Ecology (ECY), and the Department of Transportation (DOT) as required collaborators through the proviso, as well as representatives from the Governor's Salmon Recovery Office (GSRO), Washington Association of Counties (WSAC), Association of Washington Cities (AWC), Washington Conservation Action (WCA), the Puget Sound Partnership (PSP), the Northwest Indian Fisheries Commission (NWIFC), and three additional Tribal representatives. The Core Team will meet quarterly and provide critical perspectives to the NEG policy discussion and will be integral to furthering the development of a strong NEG implementation framework in Washington State.

Specifically, the Core Team will be responsible for accomplishing key tasks outlined in the proviso, which include:

- Define NEG criteria;
- Create monitoring and assessment criteria related to NEG;
- Develop an assessment model to evaluate and quantify contributions to overall NEG;
- Consider the geographic scale at which NEG criteria may be effectively applied;
- Provide budget and policy recommendations for NEG to the legislature and to the office of financial management;
- Identify existing state-administered or state-funded programs and projects that already contribute to net ecological gain; can or should give funding priority to funding applicants that commit to incorporating NEG principles; and programs and projects that can or should have an NEG requirement in the future; and
- Generate interim recommendations for a project to serve as an NEG proof of concept within a county that chooses to adopt an NEG standard.



Roosevelt elk in Forks area. Photo credit: WDFW.

The project team recognized the need to develop a framework for assessing the benefits provided by functioning ecosystems—such as recreation opportunities, thriving commercial fisheries, and human health benefits—within an economic analysis. This guidance will also compare the economic, equity, and fiscal impacts of NEG implementation, enhancing the understanding of a potential NEG standard's benefits and impacts.

In addition to the Core Team process, WDFW will conduct two policy and technical workshops to engage a broader group of partners through ad hoc engagement methods to inform decision-making. WDFW is also conducting outreach to Washington Tribes to ensure coordination and consultation directly with Tribal governments

Progress on the project's engagement and technical tasks are detailed in Project Progress.

"Review existing grant programs and make recommendations on the potential addition of net ecological gain into grant prioritization criteria."

As an interim deliverable, the project team, with input from the NEG Core Team, reviewed existing grant programs and identified preliminary options for feasible, broadly supported, pathways to pursuing NEG. The approach, methodology, and findings from this review are detailed in <u>Grant Program Review for Net</u> <u>Ecological Gain Application</u>.

"The work group must submit an interim and final report of its work..."

The project will culminate in an interim report on June 30, 2024 and a final report on June 30, 2025. NEG is a complex and multi-faceted topic, so developing a framework that is effective, tailored to Washington's unique needs, and broadly supported will require an adaptive and iterative approach. As such, the final report may outline ongoing support needed from the legislature and partners to fully implement an NEG implementation framework.

Current Project Goals

Ultimately, this phase of the project seeks to fulfill the 2023 legislative directives outlined above by working collaboratively with state agencies, federally recognized Tribes, landowners, local governments, and partners to pursue a viable NEG implementation framework and identify any additional resources needed to support management and land use planning that contributes to fish and wildlife conservation more effectively. WDFW aims to emerge from this period with not only a more clearly defined path forward on NEG, but also to foster a **broad base of support for the vast ecosystem benefits that could be realized through the adoption of a strong NEG implementation framework**.

At the same time, WDFW recognizes that there are many initiatives across the state aimed at restoring and protecting Washington's vital resources and ecosystem functions. The project team is actively tracking these efforts and seeking opportunities for alignment and collaboration.



At the time this photo was taken, J59 was the youngest member of J Pod. Killer whales photographed from shore at Lime Kiln Point State Park. Photo credit: Dante Aubert.

Background

2022 Report and 2021 Legislative Proviso

At the direction of the legislature following the 2019 Governor's Orca Task Force Recommendations, WDFW investigated a pathway for incorporating an NEG standard into state law. During the 2021 Legislative session—through a proviso contained within Engrossed Substitute Senate Bill 5092—the Washington Legislature directed WDFW to investigate a pathway for incorporating an NEG standard into state law with the goal of improving endangered species recovery and ecological health statewide. In summer and fall of 2022, WDFW assessed opportunities for incorporating NEG legislation into existing state law through a mix of secondary research and engagement with various Tribal and stakeholder groups, with support from consultants, and review and scientific input from the Washington State Academy of Sciences (WSAS).

The work included a review and analysis of precedent for NEG, including analysis of existing Washington state environmental, development, and land use laws—namely, NNL, and how it operated within the state. The definition of NEG was reviewed and expanded as follows:

Net Ecological Gain: "Ecological functions and values, that support biodiversity and resiliency of native plant, animal and fungi species, water quality and quantity, air quality, and food security for all species, are improved over current conditions, at a cumulative scale that can be incrementally implemented through site-specific actions, with any short-term loss of those functions and values being more than offset by overall ecological gains." Integrating research and analysis with engagement involving state agencies, federally recognized Tribes, local governments, and partners throughout Washington was critical to the process. Key themes emerged from this approach, including:

- An NEG implementation framework and an assessment process need to be defined. To develop a framework, it will be necessary to determine if NEG may be applied to private and public projects. Further, there is a need to determine the scale and scope of NEG application – which includes determining metrics and establishing a baseline that will be used to track and assess progress.
- Monitoring and enforcement of existing and future environmental standards needs to be improved. Additional funding was frequently identified as a critical need to successfully execute both monitoring and enforcement of NNL and a future NEG standard.

ONGOING DIALOGUE

NNL and NEG barriers have been identified as a topic to further discuss as a Core Team. To build on previous work, the project team will share the barriers highlighted in the 2022 NEG Report to initiate this conversation.

- Addressing gaps in existing programs where NNL and/or NEG are currently known to fail will be an important step to ensuring that NEG is successful. It will be important to understand the impacts of legacy development properties and practices in sensitive areas, among others.
- Incentives should be considered in any NEG implementation framework, although determining the effectiveness of such incentives was noted as a consideration before implementing or expanding incentives.
- Ensuring equitable and inclusive outcomes in the design, implementation, monitoring, and evaluation approach of an NEG implementation framework was a priority to be supported through continued stakeholder and Tribal engagement.

The project team used key takeaways from this process to develop recommendations to the legislature on proceeding with NEG policy development. The full recommendation list is included in the <u>December</u> <u>2022 Net Ecological Gain Standard Proviso Summary Report</u>, the deliverable of the 2021 proviso charge.

The 2022 NEG process—and the concerns and barriers identified regarding successful policy implementation, metric development, and policy specifics such as technical understanding, enforcement, and funding—made it clear that there is still much work to be done to develop a successful NEG implementation framework. Following the 2022 NEG report, the state legislature provided funding and direction to WDFW to continue exploring how to build NEG into state policy in the 2023 legislative proviso.



Sol Duc Valley forest. Photo credit: WDFW.

NO NET LOSS

NNL standards are intended to limit the impacts from new development and other land uses by adopting a mitigation hierarchy to avoid, minimize, remediate, and offset negative impacts on ecosystems. Washington state has integrated NNL standards into environmental, development, and land use policy; however, these legal protections have fallen short. Environmental degradation continues due to a range of issues, such as exemptions in permitting requirements, permissive variances, lack of enforcement, and other statutory and implementation issues. Therefore, NNL as currently implemented is not effectively protecting existing resources. These implementation issues need to be fixed for existing policy to provide a solid foundation for gains.

NNL is an important component of NEG policy, as any ecological gains are predicated on protecting existing ecosystems. While the current proviso does not specifically require recommendations to improve NNL, early work has reinforced the importance of strengthening current NNL standards, implementation, and oversight to better protect resources and has recognized that this will likely strengthen an NEG standard as well. To inform an NEG policy, WDFW seeks to identify and build on the components of NNL that are currently working, and to identify and make policy recommendations for those that are less effective.

Project Progress

Engagement & Facilitation

Successful implementation of an NEG implementation framework will depend on broad collaboration across Tribes, state agencies, and other partners. As described above, to facilitate this, WDFW convened a n NEG Core Team (Core Team) made up of representatives from WDFW, Commerce, ECY, DOT, as required collaborators through the proviso, as well as representatives from GSRO, WSAC, AWC, WCA, PSP, NWIFC, and three additional Tribal representatives. In addition to the Core Team, WDFW will coordinate and consult with Tribes in a parallel government-to-government process. Broad engagement will occur through policy and technical workshops, as well as other ad hoc engagement efforts as needed. The organizational chart below provides an outline of key groups who will be involved throughout this process.

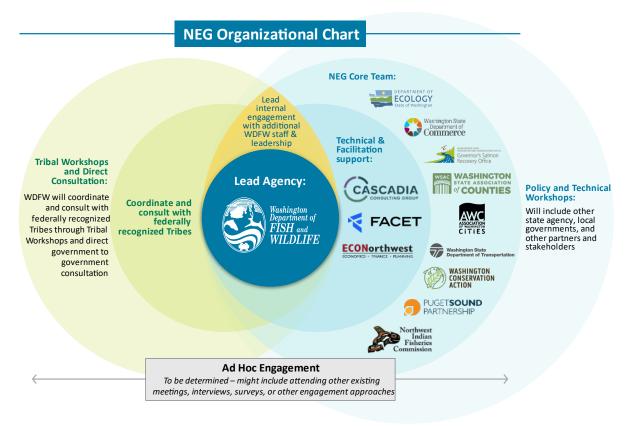


Figure 1. NEG Organizational Chart

The Core Team

The Core Team serves as the convener for collaborative development and input into possible NEG policy options—and will receive feedback gathered from other state agencies, federally recognized Tribes, local governments, and other relevant partners through additional engagement. This integrated approach both satisfies the requirements outlined in the proviso and strives to engage with interested

parties to identify roadblocks, coalesce around areas of common ground, and build broad support early in the NEG implementation framework development process.

By hosting bimonthly to quarterly meetings with the Core Team—paired with briefing calls in advance to ensure each member can effectively participate and codevelop an NEG implementation framework— WDFW hopes that an inclusive process will build a coalition of support for NEG. The goal of this Core Team is to codevelop the importance and potential for an NEG implementation framework, to facilitate a shift in considerations of regulatory change and conduct open conversations about what that change could look like, and ultimately to support WDFW and the project team in accomplishing the tasks outlined in the proviso.

As of June 2024, the project team has convened two Core Team meetings.

- Core Team Meeting #1, held in March 2024, focused on introducing project goals and establishing the timeline, roles, and the NEG project charter (see <u>Appendix B. Project Charter</u>). The project team presented the preliminary results of the grant review process (see section <u>Grant Program Review for Net Ecological Gain Application</u>, below) and facilitated a discussion with the Core Team about the grant review process. Core Team members provided additional feedback on the grant review process following the meeting directly to the project team through April 2024.
- Core Team Meeting #2, held in May 2024, focused on gathering Core Team member input on NEG implementation frameworks broadly. The project team introduced high-level overviews of two case studies from parallel programs in the United Kingdom and Lake Tahoe to help prompt discussion on possible NEG framework considerations in Washington state and to note key information gaps that require additional investigation by the project team. The Core Team also shared input on broad discussion questions on the types of gains to seek within NEG, concerns, how to ensure those gains are measurable, and what additional input should the project team seek through the policy and technical workshops. The feedback and input from the May NEG Core Team meeting will inform the project team's next steps on NEG implementation framework research and will support preparation for the policy and technical workshops that will occur later in 2024.

Subsequent NEG Core Team meetings are scheduled for August 2024, October 2024, and May 2025, with additional Core Team engagement occurring on a direct basis in between meetings.

Parallel Tribal Government-to-Government Consultation

In addition to several Tribal staff participating on the Core Team (see Figure 1. NEG Organizational Chart), WDFW is working directly with Tribal partners in parallel to participate in proviso-directed processes, ensure open lines of communication, and provide opportunities for collaboration as an NEG framework is developed and refined. This collaboration is an important part of implementing the Washington Governor's Centennial Accord and Millennium Agreement that establishes the foundation for state/Tribal relations, and Chapter 43.376 RCW, which sets forth state agency duties for implementing government-to-government relationships with Tribes that have interests within

Washington State – and maximizes the conservation value and likelihood of success for an NEG implementation framework.

To date, WDFW has conducted a briefing call with Tribal representatives to introduce the project, build an understanding of the work completed to date, outline the goals of this effort, open lines of communication, and create opportunities for engagement throughout the proviso process. WDFW will convene additional briefing calls with Tribal representatives, in addition to hosting a workshop with Tribal representatives prior to the policy and technical workshops.

Technical and Policy Workshops

The technical and policy workshops serve as important opportunities to bring in additional key partners and address specific topics that require more thorough conversations. With guidance from the Core Team, the project team will seek to focus workshops on technical aspects of the project, including defining NEG criteria and creating monitoring, assessment and enforcement criteria, and policy frameworks. These workshops will create space for a robust exchange of ideas and insights from diverse perspectives, fostering policycentered conversations that inform the NEG process and key decision milestones.

The project team anticipates that the two workshops will occur in the latter half of 2024. One workshop will focus on the project's technical tasks and aspects, while the other will review and refine policy recommendations. The project team will collaborate with the Core Team to identify and engage relevant partners – including local governments, state agencies, federally recognized Tribes, and other partners with subject matter expertise involved in the 2022 project.

EQUITABLE ENGAGEMENT

Ensuring involvement of the people from the start and at every step of the process is key to delivering a policy that has broad support, delivers tangible benefits, and advances environmental justice. Through the development of the NEG Core Team, in addition to the technical and policy workshops, ad hoc engagement, and the parallel government to government consultation process with Tribal partners, WDFW and the project team are applying best practices in equitable engagement. WDFW and the project team strive to reach interested parties and potential partners early in the process to gather input, identify barriers and opportunities, and seek to maximize the likelihood of success for an NEG policy.

Additional Engagement

WDFW anticipates that the Core Team will identify additional engagement needs throughout this project and will consider methods such as participation in other existing forums and meetings, conducting interviews or surveys, or relying on additional engagement approaches as needed.

Technical Task Progress

To support the feasibility of building and implementing an NEG framework in the future, the project team will conduct research and collaborate with the Core Team and other partners to address key tasks outlined in the proviso. These tasks encompass further defining NEG criteria and scale, developing monitoring, enforcement, and assessment criteria, considering an assessment model for NEG, and providing policy and budget recommendations. While the proviso directive may outline technical actions, WDFW's intention is to also broadly consider the NEG implementation framework context to which these work products would apply. Development and implementation of NEG will only be successful if state agencies, Tribes, local jurisdictions, and affected partners are engaged and heard early and often throughout the process.

With this research and partner collaboration, WDFW has the opportunity to develop an NEG implementation framework that is uniquely suited to Washington's current monitoring landscape, its ecosystems, existing policies, and incentives, to help guide future development.

NEG Understanding

The project team are at the outset of addressing the technical tasks outlined in the 2023 proviso. As an initial step, the project team initiated review of NEG implementation case studies from Lake Tahoe and the United Kingdom which provide insights on the various technical tasks. By examining existing NEG policy frameworks from both geographies, we will develop strategies that have proven effective and filter recommendations through the lens of what is feasible in Washington state.

Ongoing Research

At this time, the following work has been initiated:

- The project team is conducting a review of metrics and monitoring criteria that are already part of the state's regulatory system, building from findings in the 2022 NEG Proviso Report. Although a comprehensive assessment of existing monitoring programs falls outside the project's scope, the team aims to utilize available data to leverage existing efforts and prevent redundancy. When making recommendations on ecosystem metrics, data needs, programs, and policy structures, it's essential to consider what is already effective while acknowledging the rapid, dynamic, and substantial changes in the environment. Any proposed solution must consider and incorporate enduring mechanisms that also address issues such as climate change; for example, metrics should not focus solely on data that monitor current conditions. The project team will evaluate new tools that model the impacts of climate change and development.
- The project team has begun to develop technical assessments of the description, potential valuation, and comparison of the economic, equity, and fiscal impacts of an NEG implementation framework. The results of these technical assessments will be brought to the Core Team and a broader set of partners through workshops, where the project team will present findings, vet and refine criteria, frameworks, and recommendations, and confirm a path forward.



Bighorn sheep. Photo credit: WDFW.

Grant Program Review for Net Ecological Gain Application

Background and Purpose

Integrating an NEG perspective into existing grant programs represents a significant opportunity to enhance site-specific improvements that yield multiple benefits. Currently, funding for different sectors, such as transportation, housing, and environmental, is managed within separate channels, which leads to missed opportunities for holistic improvements. This constraint underscores the need to evaluate potential impacts and benefits of state funds and integrate NEG concepts into Washington's grant evaluation processes. Related requirements in the 2023 legislative proviso, and the strategy to address them, are detailed below.

"Review existing grant programs and make recommendations on the potential addition of net ecological gain into grant prioritization criteria."

This review aims to identify opportunities where NEG principles can be integrated to enhance projects that currently contribute to ecological gains and promote projects that achieve multiple benefits, such as ecological, social, and economic improvements. Because the proviso did not specify which types of grants to review, the project team led a review of all grant types statewide as a foundational assessment. In response to input from Core Team members, future project endeavors will further explore the holistic integration of NEG implementation concepts across diverse project scopes and objectives.

To understand the potential application of NEG in existing grant programs, the project team reviewed the suitability of, and developed recommendations around, incorporating an NEG prioritization criterion into grant evaluation processes. This section summarizes the approach and methodology of this research, results, and future considerations.

As work to address the proviso continues, the project team will identify state-funded programs that already contribute to NEG, programs with the potential to prioritize projects that incorporate NEG principles, and programs with the potential to require NEG in the future.

Approach and Methodology

The grant program review for the NEG application consisted of two phases. Phase 1 involved desktop research, establishing a grant inclusion framework, identifying relevant grant programs, and developing a grant database. In Phase 2, the project team identified and examined grant scoring and evaluation criteria and developed draft recommendations, or pathways, for the addition of an NEG prioritization criterion into grant programs. Both phases included expert engagement—including working with the Core Team in Phase 1 and conducting interviews with grant managers in Phase 2. The approach and methodology were refined based on feedback throughout the process.

Phase 1: Grant Identification & Research

To ensure the reviewed grants were relevant and eligible for an NEG prioritization criterion, the project team developed and used a **grant inclusion framework** (Figure 2, below). The framework is applicable solely to ongoing state-administered and managed grant programs. The review encompassed a broad spectrum of grants, including those that already may be contributing to NEG, such as restoration grants. This comprehensive approach aligns with the proviso directive to evaluate grant programs statewide. The **identified grants do not represent an exhaustive or comprehensive** list of all grants that meet the requirements outlined in the grant inclusion framework. Rather, the grant list was developed to provide a list of relevant and eligible grants, while ensuring a variety of types of grants, aligning with the following approach:

• **Included grants:** grants that contribute to tangible, on-the-ground, ecological impact, including grants focused on activities such as development, construction, community well-being, environmental management, conservation, and restoration. Federal and state, joint-funded programs were included if administered and managed in Washington.

• Excluded grants: grants that primarily focus on concepts such as education, outreach, technology innovation, and other activities that lack direct and tangible ecological impacts. Loans and federally administered programs were excluded, in alignment with the proviso language.



Figure 2. Grant Inclusion Framework

The project team systematically reviewed each included grant, ensuring representation of a wide variety of administering entities, eligible project types, and recipient organizations. The project team captured key details essential for understanding the opportunity for a prioritization criterion. Table 1, below, shows more detail about the type of information collected. For example, eligibility information provides additional context about the grant's purpose and scope. Funding details, including the funding source, total available funds, and grant award limits, provide clarity regarding the grant's size and impact. Current evaluation criteria, the perceived amount of on-the-ground ecological impact, and the degree to which the grant prioritizes ecological benefits, provided insight on the program's objectives and relevance to the review.

Four representative local grants were identified to ensure variety in the size of grants, based on input from the Core Team. However, due to the vast quantity of local grants in Washington focused on restoration, resiliency, and habitat recovery, developing a comprehensive list of local programs that could contribute to NEG would require a separate effort. Moving forward, local programs will be considered and further discussed as relevant to include in the final legislative recommendations, either in aggregate or on an individual basis.

Table 1. Grant Program Review Information Gathering

Category: General Information

Column Name	Purpose/Definition	
Administering entity	State or local entity that administers and/or manages the grant.	
Overview	Brief description of the grant/funding in a few sentences.	
Funding source	Source of funding (e.g. state, federal, or both).	
Capital budget	Included or not included in the state capital budget.	
Eligible project types	Project types eligible for grant (e.g. restoration, acquisition, infrastructure, development).	
Description of eligible project types	Additional detail on eligible project types (e.g. fish barrier removal).	
Duration	Duration of funding (e.g. on-going, five-year program, ten years).	
Frequency	Cadence of funding (e.g. annual, biennial, one-time).	
Eligible organizations	Organizations that are eligible to apply (e.g. cities, counties, non-profits).	
Geographic scope	Physical scope of grant application (e.g. statewide, county, regional, etc.).	
Habitat type	Main type of habitat that the grant applies to (e.g. riparian, uplands, forests, urban).	

Category: Funding

Column Name	Purpose/Definition
Amount of funding available	Total amount of dollars in grant's funding pool.
Funding size	Categorization of small, medium, large based on funding pool amount.
Grant award limit	Individual grant award dollar limit.

Category: Net Ecological Gain

Column Name	Purpose/Definition	
On-the-ground ecological		
impact		
Ecological benefit	t Assesses whether environmental or ecological benefit is	
prioritization	high/medium/low priority for the grant. ²	
Existing NEG-related criteria	Assesses whether grant has existing criteria relating to NEG.	
Type of criteria	Type of criteria used to evaluate projects (for example, scoring criteria, evaluation question).	
Criteria description	Description of existing NEG-related criteria. ³	

Category: Additional Resources

Column Name	Purpose/Definition	
Interview candidate	Additional details to capture follow-up information and notes.	
Manager name Additional details to capture follow-up information and notes.		
Manager contact info	Manager contact info Additional details to capture follow-up information and notes.	
Link to website Additional details to capture follow-up information and notes.		
Link to criteria/application Additional details to capture follow-up information and notes.		
Notes	Additional details to capture follow-up information and notes.	

Engagement with Core Team

In their role to collaborate, review, and provide input throughout the project, further described in the <u>Engagement & Facilitation</u> section of this report above, the Core Team reviewed and discussed the grant inclusion framework during their March 2024 meeting. The project team incorporated feedback into the preliminary list of grants and distributed an updated list to Core Team members for further review in April 2024. Core Team members also reviewed and provided feedback on the grants still under consideration, and those excluded due to lack of alignment with the grant inclusion framework. The project team integrated feedback and refined the grant list accordingly.

¹ Assessment of whether the grant has high, medium, or low ecological impact was conducted through a subjective evaluation process. This evaluation involved judgment based on criteria such as the scale and scope, type of project (e.g., restoration, conservation, infrastructure), the geographic area affected, the potential for biodiversity enhancement or degradation, and the extent of ecosystem services provided, restored, or diminished.

² Assessment of whether environmental or ecological benefit is considered a high, medium, or low priority for the grant was subjectively evaluated. Factors considered included explicit references to environmental stewardship or ecological enhancement in the grant's purpose, the extent to which ecological considerations are integrated into evaluation criteria, and the alignment of the grant with broader environmental policy objectives.

³ A description of the existing NEG-related criteria identified, outlining the specific standards, metrics, or guidelines used to measure or evaluate the ecological impact or benefits expected from projects funded through the grant.

Phase 2: Prioritization Criterion Recommendations

With the intent of developing recommendations on the potential addition of NEG into grant prioritization criteria, per the proviso language, the project team built upon the grant identification and research completed in Phase 1 to conduct further research on existing criteria and the potential for NEG inclusion. To do this, the project team conducted interviews with a selection of grant managers representing a variety of grant types, sizes, and the grants' potential to add an NEG prioritization criterion.

The goals of the interviews with grant managers were to:

- Understand their role and responsibilities within their grant program(s), including their involvement in the application review process and any existing review procedures.
- Explore their perception of how their program(s) contribute(s) to NEG and whether their program(s) already prioritizes ecological improvement.
- Review options for integrating NEG prioritization into the grant program, and discuss the feasibility of implementation, and potential impact on ecological outcomes. Note: to solicit feedback from grant managers, the project team drafted three initial recommendation "pathways" prior to conducting interviews.
- Gather insights into potential strategies for implementing NEG criteria, including past experiences, if any, with adding criteria or obtaining approvals.
- Assess the suitability of the grant program for NEG criteria integration.

The project team contacted a total of 18 grant managers in late April and early May 2024 and conducted 10 interviews. An interview guide and list of identified questions (see <u>Appendix C. Interview Guide</u>) was developed prior to conducting the interviews to ensure consistency. The interviews were primarily conducted virtually with grant managers. However, in certain instances, due to scheduling conflicts, written responses were submitted instead. Some grant managers administer, and therefore represent, multiple grants.



Greater yellowlegs photographed at the Skagit Wildlife Area Headquarters Unit. Photo credit: WDFW.

Table 2. Grant Interviews Conducted

Lead administering/managing entity	Grant(s)
Department of Commerce	Connecting Housing to Infrastructure
Department of Commerce	Coordinating Low-income Housing Planning Grant
Department of Ecology	Streamflow Restoration Competitive Grants Program
Department of Ecology	Coastal Protection – Terry Husseman ⁴
Department of Ecology	Floodplains by Design ⁵
Department of Fish and Wildlife	Wildlife Diversity Grant Program
Puget Sound National Estuary Program	Strategic Initiative Leads - Stormwater
Puget Sound Partnership & Salmon Recovery Funding Board	Puget Sound Acquisition and Recovery
Recreation and Conservation Office	Aquatic Lands Enhancement Grant and WWRP – Farmland, Habitat, and Recreation
Washington State Conservation Commission	Riparian and Shellfish Program ⁶

Results

Identified Grants

Applying the grant inclusion framework (Figure 2, above) and the approach outlined in <u>Approach and</u> <u>Methodology</u>, the project team identified 41 grant programs. See <u>Appendix D. Grant Database</u> for more detailed information about identified grants.

Key Findings from Interviews with Grant Managers

Several key findings emerged from the interviews with grant managers and are incorporated into recommended guidance to the legislature for developing an NEG prioritization criterion. It is important to note that these findings do not represent a consensus among grant managers but rather reflect the diverse perspectives gathered during the interviews.

⁴ In lieu of an interview due to scheduling conflicts, written responses to key interview questions were submitted to the project team.

⁵ In lieu of an interview due to scheduling conflicts, written responses to key interview questions were submitted to the project team.

⁶ In lieu of an interview due to scheduling conflicts, written responses to key interview questions were submitted to the project team.

Finding 1: Achieving ecological gains is already a priority for many of the grants, demonstrated by existing eligibility requirements and prioritization criteria related to gains.

Restoration grant programs prioritize achieving ecological gains related to species diversity, habitat restoration, flood protection, and ecological functions of floodplains. These grant programs demonstrate clear alignment with NEG concepts and prioritize ecological gains in project selection and eligibility requirements.

"[The grant] absolutely contributes to NEG. To qualify, the project has to demonstrate beneficial and quantifiable outcomes that improve conditions to salmon and habitat, flood protection, water quality." – Grant Manager

Grant programs often define their own evaluation criteria, which may or may not explicitly mention ecological gains. For example, the Riparian and Shellfish Program utilizes practices designed to have a positive, site-specific impact on ecological functions, ensuring that funded projects align with established environmental standards. Similarly, the Streamflow Restoration Competitive Grants Program prioritizes projects that demonstrate measurable ecological benefits, such as improvements in streamflow.

While most of the grants considered are restoration focused and already contributing to net ecological gains, the few grant managers that were interviewed that oversee grants with other objectives, such as expanding affordable housing, acknowledged that they presently do not integrate NEG considerations into their grant review processes. This finding highlights the need to include perspectives from grants that do not currently address NEG principles into the grant prioritization criterion development to expand ecological benefits statewide.

Finding 2: Grant managers sought clarity on "net" concept and how it would be demonstrated through monitoring, measurement, and metrics.

Managers highlighted the importance of practical considerations when integrating NEG into grant review processes. They emphasized the need for clear guidelines and criteria that are specific to each grant program's objectives and goals. Projects are typically prioritized based on their alignment with program goals and objectives rather than broadly focusing on achieving a net gain in ecological function. There was mention of uncertainty and difficulty in applying the concept of "net" gains uniformly across projects, making it challenging to measure the balance between gains and losses accurately. Interviewees sought additional

"The context of prioritizing projects in terms of being a "net" gain means it is in relation to loss, and that framing just does not really apply to the context we are working in."

– Grant Manager

information on what NEG would look like in practice. This finding emphasizes the need and expectation to further develop the technical details (such as criteria, metrics, and monitoring) before fully implementing an NEG prioritization criterion in a grant program.

Finding 3: Grant managers raised concerns on funding implications and priorities of introducing a criterion not aligned to their grants.

Managers of grants that are not primarily focused on ecological restoration expressed concerns about the potential implications of introducing a criterion that is outside of the grant's primary objectives. Many grant programs were established with specific focus areas tied to funding. Consequently, there is apprehension about diverting resources from the primary focus of the grant, especially if adding ecological criteria would potentially

"Adding another criterion that needs to be addressed or achieved may distract from the main focus of the grant and what the grant is trying to accomplish." – Grant Manager

portray the grant as allocating more resources towards restoration projects, which may not align with the original intent or legislative directives that secured the funding. As a result, managers emphasized that any new criteria align with the grant's overarching objectives without undermining its original purpose or jeopardizing its funding stability.

Finding 4: The criterion should not create an unintended barrier for applicants in obtaining funding.

Among grant managers interviewed, there was consensus on the importance of avoiding complexity and barriers for applicants seeking funding. Clear legislative guidance and criteria specific to the grant's objectives and goals are preferred to prevent confusion and unnecessary burdens for applicants.

"The 'net' part of the criteria seems too big to ask sponsors to answer. Why ask the PI/applicant to justify or document NEG? It should be the grant managers job to determine if the project is adequate to meet program requirements." – Grant Manager Furthermore, there was concern that some applicants may be unfamiliar with the concept of NEG. The lack of familiarity could create an inequity and unintended barrier to applicants seeking funding. Smaller or resource-constrained organizations or applicants may face challenges in articulating their projects' potential ecological gains, thereby reducing their chances of securing funding. Grant managers, on the other hand, are considered better equipped to evaluate projects' alignment with program requirements regarding the concept of NEG. To address this concern, some grant managers suggested that the responsibility for assessing NEG outcomes should primarily rest with grant managers rather than applicants. **Finding 5:** Grant managers are open to implementing an NEG criterion in their evaluation processes, especially given flexibility, clear direction, and support from the legislature.

"It's not difficult to add new criterion, it's just a matter of having the right amount of guidance." – Grant Manager Grant managers expressed openness to integrating an NEG criterion into their evaluation processes, particularly when guided by clear direction from the legislature. This openness is driven by a desire to achieve net ecological gains within grant programs, with many managers expressing a willingness to adapt a criterion to align with legislative mandates. Grant managers were more supportive of implementing an NEG prioritization criterion with technical assistance and support from agencies such as WDFW to tailor guidance and provide examples specific to individual grant programs.

Prioritization Criterion Recommendations

The feedback gathered from grant manager interviews clarified that creating NEG outcomes in Washington will require careful consideration for the potential integration of an NEG criterion into grant review processes. To this end, the project team has provided the following **key considerations as well as four integration pathways for a potential prioritization criterion**.

Key considerations when developing an NEG prioritization criterion include:

- The criterion should allow for flexibility, recognizing that not all grants may directly align with NEG, or that some grants already prioritize net ecological gain outcomes within their existing criteria. The criterion may not be appropriate for every grant.
- The criterion definition must be clear, with metrics tailored to measure ecological gains effectively within the specific context of the grant.
- Grant managers need key information (such as criteria, metrics, and monitoring) to integrate net ecological gains concepts into their evaluation processes.
- Consideration should be given to equity concerns, ensuring that the criterion does not create
 additional barriers for applicants. Providing pathways, detailed guidance, and technical
 assistance to grant managers and/or applicants, particularly smaller or resource-constrained
 organizations, should be considered to ensure they understand and can articulate their projects'
 potential ecological gains. Grant managers may need to play a crucial role in assessing and
 identifying NEG contributions.

At this stage in the project, an NEG criterion and any scope, and monitoring and assessment criteria have not yet been defined via technical tasks – nor has an assessment model been developed. **The following recommendations for integrating a prioritization criterion were created with the understanding and expectation that these technical details must be further developed before fully implementing an NEG prioritization criterion in a grant program.** Additional research into successful grant management and implementation practices will be necessary as these technical details are developed.

Given these key considerations and constraints, the following **integration pathways** are provided as guidance to the legislature, which could inform recommendations on an NEG prioritization criterion.

Pathway	Description
Pathway A: Refine existing language to include NEG in evaluation criteria	This pathway is suitable for grants whose outcomes already align with NEG goals, such as restoration-focused grants, but do not explicitly use the term NEG in their instructions or scoring criteria. The recommendation is to incorporate NEG-specific language into the existing scored or prioritization criteria . This approach ensures that the grants explicitly reflect NEG objectives without requiring substantial changes to the existing evaluation framework. However, this pathway may not sufficiently incentivize projects that currently do not have ecological-focused objectives.
Pathway B: Add a Yes or No question to evaluation criteria	This pathway involves adding a yes/no question to a grant evaluation process that directly asks if the project contributes to NEG. Projects answering "yes" could receive greater funding priority. This low-barrier approach integrates NEG into the evaluation criteria with minimal additional assessment burden on the applicant. It is recommended to pair this pathway with technical assistance or Pathway D to verify and confirm the project's NEG contribution. This approach could encourage projects that serve multiple objectives to apply for traditionally siloed funding sources.
Pathway C: Add an essay style question(s) to evaluation criteria	This pathway introduces an essay-style question into an evaluation process, asking applicants to detail a projects' ecological improvements and strategy to mitigate any short-term losses. Questions would be mandatory and included in the evaluation process. Projects that best demonstrate their contribution to NEG would be given funding priority. To enhance specificity, this pathway could include measurement and monitoring follow- ups linked to the essay responses. However, NEG monitoring and assessment criteria first need to be defined, and it would be crucial to develop clear evaluation guidelines to ensure consistency in evaluation practices. Funding would be necessary to support implementation equitably and effectively, particularly for monitoring and technical assistance.
Pathway D: Designate the Grant manager as responsible for prioritizing grants based on NEG	This pathway shifts the responsibility for evaluating NEG outcomes from the applicants to the grant managers. Based on the project descriptions, the grant managers would assess and prioritize projects that contribute to NEG. This approach emphasizes the importance of grant managers' expertise and judgment in the evaluation process. Implementing this pathway would require technical assistance and the development of a prioritization scale or value system for various grant programs to ensure consistency and effectiveness.
Pathway E: Redesign grant programs to align to NEG principles	This pathway proposes reviewing and potentially redesigning entire grant programs to align comprehensively with NEG principles , rather than evaluating individual grants separately. This holistic approach would mitigate equity and administrative barriers, streamline project implementation, and optimize grant manager time. Periodic assessments, such as biennial reviews, could ensure ongoing compliance with NEG criteria, fostering deeper integration of NEG values into programmatic goals. Funding and ensuring regular availability of NEG training resources would be essential considerations for successful implementation of this pathway.

Table 3. Prioritization Criterion Integration Pathway Recommendations

Future Considerations

Based on the key findings and integration pathways emerging from this grant program review research, the project team recommends the following considerations for future application of NEG in grant programs (with the related key finding referenced in parentheses):

- Depending on the funding and technical structure of an NEG implementation framework, existing grant programs that are already helping to achieve gains may be effective pathways to implement NEG projects without necessitating new grant programs (Finding 1).
- To build upon the methodology used in this review and apply insights to the upcoming statefunded program review, the project team proposes incorporating and prioritizing grants that deliver multiple benefits, including ecological, social, and economic improvements (Finding 1). This approach would aim to enhance understanding of how a prioritization criterion could be best suited for programs that don't currently address it.
- To address uncertainties related to grant alignment and NEG monitoring, measurement, and metrics (Findings 1, 2, and 3), the project team recommends implementing an NEG prioritization criterion pilot program to evaluate effectiveness of the potential pathways.
- To ensure adding an NEG criterion will not create an unintended barrier for applicants (Finding 4), the project team recommends interviewing grant applicants, municipal staff, and local coordinators to gain an understanding of their perception of net ecological gain, criterion application, and equity concerns. Additionally, these interviews could investigate whether the current siloed grant system impedes project implementers from incorporating multi-benefit elements into their projects. This work should seek to answer the following questions: How would a criterion be applied? How would this be done equitably? What would the impact be?
- To further minimize any potential burden for applicants (Finding 4), the project team recommends that **state granting programs align on how new requirements are implemented**, reducing the time applicants need to spend learning and interpreting requirements among their many funding sources.
- To assist grant managers who are currently open to implementing an NEG criterion into their evaluation processes (Finding 5), the project team strongly recommends developing and providing educational resources and/or training sessions on NEG criterion implementation with grant managers and potential applicants in Washington.
- To gather more feedback on how multi-benefits can be accumulated through the integration of an NEG criterion into grant programs and expand the conversation beyond grant managers and applicants, the project team recommends continuing conservations with administering entities and Washington State policymakers.



A trail wandering up a hillside towards a distant peak. Photo credit: Riley Bates.

Next Steps

This interim report outlines the project team's ongoing progress on the engagement and technical tasks of this project. The goal of this work is to collaboratively develop a well-defined path forward for NEG while building broad support for the significant ecosystem benefits that can be achieved through a robust NEG implementation framework. Moving forward, the Core Team will continue to meet quarterly to advise on and inform both technical task and policy development. Additionally, technical and policy workshops will be conducted to engage broadly, in parallel with Tribal government-to-government consultation, to advance project work.

There is much to accomplish in the coming year that will be critical to developing a comprehensive NEG policy recommendation and ensuring successful future implementation. The results of this work will be detailed in the final report.

Appendix A. 2023 Legislative Proviso

NEG Budget Proviso language from FY2023-25 operating budget: <u>5187-S.PL.pdf (wa.gov)</u>, see page 431, line 22 through p. 432 line 32. The proviso language is included here for reference:

(34) \$310,000 of the general fund—state appropriation for fiscal year 2024 and \$160,000 of the general fund—state appropriation for fiscal year 2025 are provided solely for the department to perform the following tasks related to net ecological gain:

- (a) Of the amount provided in this subsection, \$160,000 in fiscal year 2024 and \$160,000 in fiscal year 2025 are provided solely for the department to facilitate a work group focused on developing a net ecological gain implementation framework.
 - (i) Participation in the work group is as follows:
 - (A) The work group must include representatives from the department, the department of commerce, the department of ecology, and the department of transportation; and
 - (B) The work group may include representatives from, and consultation with, as appropriate, other state agencies, federally recognized Indian tribes, local governments, and other relevant stakeholders.
 - (ii) The work group is responsible for accomplishing the following tasks:
 - (A) Define net ecological gain criteria;
 - (B) Create monitoring and assessment criteria related to net ecological gain;
 - (C) Develop an assessment model to evaluate and quantify contributions to overall net ecological gain;
 - (D) Consider the geographic scale at which net ecological gain criteria may be effectively applied;
 - (E) Provide budget and policy recommendations for net ecological gain to the legislature and to the office of financial management;
 - (F) Identify existing state-administered or state-funded programs and projects that:
 - (I) Already contribute to net ecological gain;
 - (II) Can or should give funding priority to funding applicants that commit to incorporating net ecological gain principles; and
 - (III) Programs and projects that can or should have a net ecological gain requirement in the future; and
 - (G) Generate interim recommendations for a project to serve as a net ecological gain proof of concept within a county that chooses to adopt a net ecological gain standard.
 - (iii) The department may contract with an independent entity to facilitate the work group, including the tasks identified in (b) of this subsection.
 - (iv) The work group must submit an interim and final report of its work, including any budget and policy recommendations, to the office of financial management and the

appropriate committees of the legislature no later than June 30, 2024, and June 30, 2025.

- (b) Of the amount provided in this subsection, \$150,000 in fiscal year 2024 is provided solely for the department to contract with an independent entity to perform the following tasks:
 - (i) Review existing grant programs; and
 - (ii) Make recommendations on the potential addition of net ecological gain into grant prioritization criteria.

Appendix B. Project Charter

Net Ecological Gain Project Charter

February 2024 through June 2025

Purpose and Goals

The project charter outlines the organizational framework and engagement pathways for the Net Ecological Gain (NEG) project⁷. Following the <u>2022 NEG Report</u> and the 2023-25 legislative session, the legislature included a <u>budget proviso</u> (Appendix 1) for the Department of Fish and Wildlife (WDFW) to explore options to build NEG into state policy. The current NEG project goals are to:

- Work collaboratively with Tribes, state agencies, local governments, landowners, and other partners to pursue net ecological gain and additional resources to support management and land-use planning that encompasses fish and wildlife conservation more effectively.
- Ensure that the values provided by healthy functioning habitats, such as outdoor recreation, commercial fisheries, and human health, are more effectively included in traditional economic analyses and will further the understanding of these benefits and impacts.
- Refine the implementation criteria and framework, develop monitoring and assessment criteria, and consider geographic scale and potential proof of concept area for net ecological gain.
- **4.** Emerge from this period of collaboration with **a coalition of support** for the vast ecosystem benefits that could be realized if a strong NEG policy were to be adopted by Washington State.

Engagement Overview

WDFW will serve as the project lead to develop a NEG implementation framework, and we recognize that successful implementation of this policy will depend on broad support. In addition to the specific tasks identified in the proviso, WDFW will invite tribal partners to participate in parallel and proviso-directed processes that maximize the conservation value and likelihood of success for NEG policy. Per the proviso (Appendix 1), WDFW is responsible for facilitating a work group to accomplish the proviso goals, which will be comprised of the NEG Core Team, as well as engagement with a broader audience through policy and technical workshops and additional ad hoc engagement.

To advance the NEG project, WDFW will collaborate with an NEG Core Team which will include representatives from the Department of Commerce (COM), the Department of Ecology (ECY), and the Department of Transportation (DOT) as required collaborators through the proviso. WDFW will also include additional partners as part of the NEG Core Team, including Washington Association of Counties (WSAC), Association of Washington Cities (ASW), the Governor's Salmon Recovery Office (GSRO), the Puget Sound Partnership (PSP), Washington Conservation Action (WCA), and the Northwest Indian

⁷ This project charter is a living document and subject to updates.

Fisheries Commission (NWIFC), and additional Tribal representatives⁸. NEG Core Team membership is captured within Table 1. WDFW will seek NEG Core Team input through bimonthly to quarterly meetings between mid-February 2024 through June 2025. WDFW and the NEG Core Team will seek additional and broader partner input on NEG topics through policy and technical workshops. Additional ad hoc engagement approaches may help garner additional information.

Organizational Chart

To accomplish the goals of collaboration within the NEG project, WDFW and the project team have identified an NEG project organizational chart, with WDFW noted as the lead agency with technical and facilitation support provided by Cascadia Consulting Group, Facet, and ECONorthwest (project team). WDFW will coordinate and consult with federally recognized Tribes and conduct government to government consultation as needed. WDFW will also coordinate with additional WDFW staff and leadership as needed.

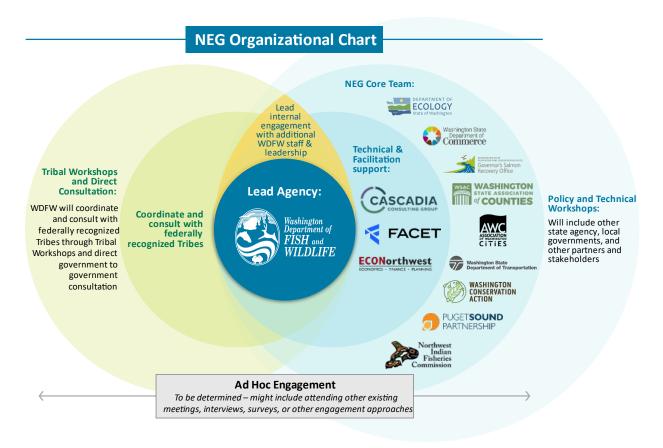


Figure 3. This figure outlines the organizational chart for the NEG project

⁸ Please note: NEG Core Team membership may be adapted, pending additional discussion between WDFW and Tribes. WDFW is coordinating with the Columbia River Inter-Tribal Fisheries Commission and the Upper Columbia United Tribes to identify tribal participation on the Core Team.

NEG Core Team Engagement

Roles and Responsibilities

Department of Fish and Wildlife

WDFW will serve as the lead agency for the NEG project. WDFW staff will attend the bimonthly NEG Core Team meetings and collaborate with the project team to develop NEG Core Team meeting agendas and materials for NEG Core Team review and input. WDFW will conduct additional internal engagement with WDFW staff and leadership as needed. WDFW will also collaborate with the project team and NEG Core Team to identify and organize policy and technical workshops. WDFW will coordinate and consult with Tribal governments and will conduct government to government consultation with Tribes as deemed necessary by the Tribes and/or WDFW. WDFW will review and provide input on all project deliverables, and WDFW will ultimately approve final deliverables.

Project team

The project team includes Cascadia Consulting Group (CCG) as lead, with support from Facet, and ECOnorthwest. The project team will plan and convene NEG Core Team meetings, providing meeting agendas, materials, and meeting summaries. The project team will work with WDFW and the NEG Core Team to ensure timely development of project deliverables and submittal of the interim report and final report by June 30, 2024, and June 30, 2025, respectively, to the Office of Financial Management (OFM) and the legislature.

NEG Core Team Members

The NEG Core Team membership includes agencies named in the proviso, and additional partners identified by WDFW to provide crucial input on options to build NEG into state policy, see Table 1. The NEG Core Team members will attend bimonthly to quarterly meetings (2-3 hours)⁹ beginning February 2024 through June 2025. NEG Core Team members will:

- Come prepared to participate fully and constructively in meetings with WDFW staff and project team.
- Following meetings, review the draft meeting summary and share any concerns or edits WDFW staff and project team.
- Work between meetings to review key information.
- Adhere to the <u>community agreements, outlined in Appendix 2</u>.
- Commit to attending all meetings, as possible, or ensure attendance by another designated representative. Notify the project team within 1 month of membership changes.

⁹ We anticipate aiming for bimonthly to quarterly meetings, and also recognize that there may be unavoidable conflicts for scheduling so we may adjust and have a few monthly meetings with a longer break between. We may also discuss as a Core Team that longer meetings are necessary.

Name	Affiliation	Contact		
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Heather Spore	Swinomish Indian Tribal Community	hspore@swinomish.nsn.us		
Bridget Moran	Skagit River System Cooperative (SRSC)	bmoran@skagitcoop.org		

Table 4. This table captures the current NEG Core Team membership, as of March 2024.

Please note: NEG Core Team membership may be adapted, pending additional discussion between WDFW and Tribes. WDFW is coordinating with the Columbia River Inter-Tribal Fisheries Commission and the Upper Columbia United Tribes to identify tribal participation on the Core Team.

Policy and Technical Workshop Engagement

The project team and WDFW, with guidance from the NEG Core Team, will coordinate workshops with additional partners throughout the project. We anticipate organizing up to four workshops focused on both the technical aspects of the project, such as defining NEG criteria and creating monitoring and assessment criteria, and fostering policy centered conversations to ensure a robust exchange of ideas and insights from diverse perspectives. The workshops will be scheduled strategically to inform the NEG Core Team during key decision milestones.

Ad Hoc Engagement

Additional engagement may be recommended by WDFW, the NEG Core Team, and project team as needed through a variety of ad hoc methods, including through attending existing meetings, interviews, through a survey, or through additional engagement approaches to be determined.

Appendix 1. Proviso Language

Please see Appendix A. 2023 Legislative Proviso.

Appendix 2. Community Agreements

The project team provided the proposed community agreements that will guide the NEG Core Team, as well as provide agreements for engagement through the policy and technical workshops. The statement "No one knows everything; together we know a lot" will serve as an overarching principle for the NEG project work. We'll refer to the following community agreements as the "four 'P's."

Agreement	Description	Example
Be present!	 Attend all meetings, be on time, and participate in our group discussions. Communicate your capacity – let us know if you're unable to attend so we can plan accordingly or send a replacement. 	• Ariel realizes that she won't be able to attend the upcoming February meeting. She tells WDFW and the facilitation team about her limited capacity, and also asks a colleague to attend and participate as a proxy during the meeting. The meetings she does attend, she arrives about 15 minutes before the start of the meeting, reads through the agenda, completes any necessary pre-work, and thoughtfully engages in the discussion.
Be prepared!	 While we will meet on a primarily bimonthly basis, there will be additional work expected by NEG Core Team members between each meeting. We expect that members will come prepared – whether that means reviewing documents, reviewing materials, synthesizing efforts, or pulling in other relevant staff – for each meeting. 	 At the conclusion of a meeting, members are asked to share examples of NEG in practice before the next meeting. Sebastian – who has only been at his agency for a year – realizes he doesn't have the key context. He sets up meetings with other colleagues at his organization ahead of the next meeting.

Agreement	Description	Example
Be respectful!	 Engage in discussion intentionally and thoughtfully. Assume everyone is coming in with good intent. Understand your own positionality and privilege – both within NEG Core Team, your agency, and your own community. Be cognizant of how much you are talking, and don't talk over others. Challenge yourself to speak up if you have something important to say. Invite others to speak if appropriate. If you don't agree with something, challenge the idea, not the person! And if you say something that has a harmful impact, apologize for the statement's impact. 	 Flounder and Scuttle all live in or near the ocean and are discussing ocean-related topics. Scuttle keeps on talking about their priority – ocean plastics – and the need to clean it up. Flounder is frustrated that Scuttle keeps talking about plastics when the focus is on net ecological gain, and says, "Flounder – don't be so ridiculous, plastics doesn't have anything to do with net ecological gain." Flounder is hurt by this comment. The facilitator interjects and reminds Flounder and Scuttle to adhere to working agreements – that we all are coming in with good intent to strive for net ecological gain, for Flounder to be cognizant of how much time he is talking, and for Scuttle to challenge ideas and not attack people. Scuttle apologizes for being short to Flounder. Flounder, now reminded of our working agreements, realizes that Ursula has seemed like she wants to speak, so asks her what her priorities are.

Agreement	Description	Example
Be precise!	 Ask specific questions to gain clarity on topics or issues. Avoid generalizations that can reinforce inaccurate or harmful stereotypes. Washington's communities are diverse and different. Precision within our discussions can help develop ideas that are broadly applicable but locally relevant. Be mindful of your organization's role. 	 Grimsby is discussing forest resilience as a part of net ecological gain. While Flotsam agrees, his agency manages state forests and will require more specific details. Flotsam provides specific follow-up questions for Grimsby – such as key risks and the spatial extent of those risks – to get a better understanding of how his agency's authority might relate to Grimsby's ideas. Grimsby also strives to provide more precise comments in future. Triton is talking about community engagement. He makes a statement that he wants to engage Spanish speaking communities. When asked specifics about these communities – such as country of origin or occupation – Triton says it doesn't really matter, that Spanish is Spanish. Jetsam reminds that people from different countries have different dialects and encourages Triton to not generalize all Spanish-speakers as a monolith and that understanding nuances of key audiences can allow the group to tailor strategies and communications for different communities.

Appendix C. Interview Guide

This appendix includes the introduction and questions asked during interviews with grant managers.

Introduction

At the direction of the Legislature, the Washington State Department of Fish and Wildlife (WDFW) is continuing to pursue the development of a net ecological gain (NEG) policy to proactively address conservation challenges occurring in Washington state. Drawing inspiration from successful NEG implementation in other regions-such as the United Kingdom and Lake Tahoe, where NEG standards and policies have been proven effective, WDFW aims to establish a framework that not only mitigates environmental impacts but actively contributes to the restoration and enhancement of ecosystems across Washington.

In summer and fall of 2022, and again at the direction of the Legislature, WDFW assessed opportunities for incorporating NEG legislation into existing state law through a mix of secondary research and engagement, with support from consultants and review and scientific input from the Washington State Academy of Sciences (WSAS). The <u>Summary Report</u> can be found on WDFW's website.

In this phase of our research, we are focused on exploring the development of prioritization criteria recommendations that would consider net ecological gain goals and outcomes. We are conducting interviews with grant managers to gain insights into grant evaluation processes and the potential integration of a net ecological gain component.

We identified your grant as a potentially suitable and eligible candidate for an NEG prioritization criterion.

We will not use your name when sharing interview results but may share your company/organization/grant.

Introduction Questions

- 1. Could you please share a little about your role and the grant program(s) that you coordinate?
- 2. How are applications prioritized or selected for the grant(s)?
- 3. What is/are the review processes? Are there any other reviewers besides your organization?

Potential for NEG prioritization & Pathways

Net Ecological Gain is defined as, according to WDFW Proviso Report of 2022, "Ecological functions and values, that support biodiversity and resiliency of native plant, animal and fungi species, water quality and quantity, air quality, and food security for all species, are improved over current conditions, at a cumulative scale that can be incrementally implemented through site-specific actions, with any short-term loss of those functions and values being more than offset by overall ecological gains."

- 1. Given this definition, do you think that your grant program contributes to net ecological gain? Why or why not?
- 2. In your existing evaluation framework, are projects that contribute to net ecological gain already prioritized? How?
- 3. Are there reporting requirements/progress reports for your grant? In your opinion, are there existing reporting requirements/progress report expectations related to net ecological gain?

Draft Criteria review

We have drafted options for what a potential net ecological gain prioritization could look like to guide our discussion. I'd like to know your thoughts and which option resonates best with you and your grant program.

- 1. Which of the criteria pathways, if any, do you see as the best fit for your grant(s)?
- 2. Which pathway, if any, do you think would contribute to net ecological gain outcomes in our state?

Criteria pathway	Example(s)
Refine existing criterion to include NEG	 a) Prioritization criterion: "The applicants adequately describe how the project will contribute to improving functions, including ecological conditions and processes, at the larger landscape level beyond the boundaries of the project site above current conditions". b) Scored criterion: "Higher scoring projects will incorporate stewardship practices that result in a net improvement to ecological functions and services."
Add a yes or no question to criteria	a) Does the proposed project plan to enhance ecological functions and values, including support for biodiversity, resilience of native species, water and air quality, and/or food security, ensuring that any short-term losses are outweighed by long-term ecological gains?
Add an essay-style question to criteria	a) How does the project seek to or contribute to the improvement of ecological function over current conditions (e.g., supporting biodiversity improvements, enhancing resilience of habitats, improving water quality and quantity, improving air quality)? How does the project mitigate any short-term loss of ecological functions or values during implementation, ensuring that any temporary impacts are more than offset by long-term ecological gains?

Implementation of prioritization criterion

- 1. If you were to implement net ecological gain criterion into your grant review process or prioritization, how would the change be implemented?
- 2. What guidance from the Legislature would be helpful to you in incorporating NEG into your grant program?

3. Overall, do you think your grant would be a good candidate for implementing NEG prioritization criterion? Why or why not?

Follow up information

- 1. Are there other grants that you are familiar with, or that you also coordinate, that could be good candidates for potentially incorporating a net ecological gain prioritization?
 - \circ $\;$ Grants that we are reaching out to interview:
 - Coastal Protection Terry Husseman (ECY)
 - Flood Reduction (King Co)
 - WWRP Farmland, Habitat, and Recreation (RCO)
 - o Aquatic Lands Enhancement Grant (RCO)
 - Improving Shellfish Growing Areas (SCC)
 - Community Forest Grant (RCO)
 - Wildlife Diversity Grant Program (WDFW)
 - Coordinating Low-income Housing Planning Grant (Commerce)
 - Streamflow Restoration Implementation Grants (ECY)
 - Floodplain by Design (ECY)
 - Urban and Community Forestry Grants (DNR)
 - Rivers and Habitat Open Space Program (DNR)
 - Riparian Grant (SCC)
 - Remedial Action Grant (ECY)
 - Puget Sound Acquisition and Recovery (PSP & RCO)
- 2. Is there anyone else you would recommend we speak with?

Appendix D. Grant Database

The project team identified 41 grant programs, as shown in Table 6. Grant Database. Grants were selected by applying the grant inclusion framework (Figure 2. Grant Inclusion Framework) and approach outlined in *Phase 1: Grant Identification & Research*. While comprehensive details were collected on each grant according to Table 1. Grant Program Review Information Gathering, only a selected subset of information is presented in the table below for illustrative purposes. More information on each grant can be found by following the associated website link. Definitions for acronyms related to grant administrating/managing entities and icons representing project types are provided in Table 4 and Table 5, respectively.

Table 5. Grant Administrating/Managing Entity Acronyms

Entity	Acronym
Department of Commerce	СОМ
Department of Fish & Wildlife	DFW
Department of Natural Resources	DNR
Department of Transportation	DOT
Washington State Department of Transportation	DOT
Department of Ecology	ECY
Puget Sound National Estuary Program	PSNEP
Puget Sound Partnership	PSP
Recreation and Conservation Office	RCO
State Conservation Commission	SCC
Salmon Recovery Funding Board	SRFB

Table 6. Eligible Project Type Key

Project Shorthand	Types of Projects Included
Development	Construction/development/ infrastructure projects
Community	Community well-being/social service projects
Environmental Mgmt.	Environmental management/water quality projects
Conservation	Land acquisition/conservation projects
Restoration	Restoration projects

Table 7. Grant Database

Grant Name	Lead administrating/ managing entity	Capital Budget	Eligible project types	Habitat type	Available funding	Existing NEG- related criterion?	Link
Building Communities Fund	СОМ	Yes	Development, Community	Built Environment	\$30,579,000	No	<u>Link</u>
Connecting Housing to Infrastructure Program	COM	Yes	Development, Community	Built Environment	\$55,500,000	No	<u>Link</u>
Coordinating Low-income Housing Planning Grant	СОМ	No	Development, Community	Built Environment	\$1,000,000	No	<u>Link</u>
Solar Deployment Grant Program	СОМ	No	Development, Community	Built Environment	\$3,700,000	No	<u>Link</u>
Community Economic Revitalization Board Program	СОМ	Yes	Development, Community	Built Environment	\$25,000,000	No	<u>Link</u>
Wildlife Diversity Grant Program	DFW	No	Restoration	Unspecified	\$1,000,000	Yes	<u>Link</u>
Brian Abbott Fish Barrier Removal Board Grant Program	DFW	Yes	Restoration	Riparian	\$45,100,000	Yes	<u>Link</u>
Estuary and Salmon Restoration Program (ESRP) Small Grants Program	DFW	Yes	Conservation, Restoration	Riparian	\$14,309,000	Yes	<u>Link</u>
Family Forest Fish Passage Program	DNR	Yes	Development, Conservation, Restoration	Riparian	\$5,900,000	No	<u>Link</u>
Urban and Community Forestry Grants	DNR	No	Restoration	Forest, Built Environment	\$7,000,000	No	<u>Link</u>
Green Transportation Capital Grants	DOT	No	Development	Built Environment	\$12,000,000 - \$50,000,000	No	<u>Link</u>

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Grant Name	Lead administrating/ managing entity	Capital Budget	Eligible project types	Habitat type	Available funding	Existing NEG- related criterion?	Link
Coastal Protection Fund – Terry Husseman Account Grants	ECY	No	Restoration	Riparian, Coastal	Variable ¹⁰	Yes	<u>Link</u>
Floodplains by Design Grant Program	ECY	Yes	Environmental Mgmt., Restoration	Riparian	\$67,400,000	Yes	<u>Link</u>
Freshwater Algae Grant Program	ECY	Yes	Environmental Mgmt.	Freshwater	\$710,000	Yes	<u>Link</u>
Freshwater Aquatic Invasive Plants Grant Program	ECY	Yes	Environmental Mgmt.	Freshwater	\$350,000	Yes	<u>Link</u>
Streamflow Restoration Implementation Grants	ECY	Yes	Environmental Mgmt., Restoration	Riparian	\$40,000,000	Yes	<u>Link</u>
Affordable Housing Cleanup Grant Program	ECY	Yes	Development, Environmental Mgmt.	Built Environment	\$12,259,000	Yes	<u>Link</u>
Independent Remedial Action Grants	ECY	Yes	Community, Environmental Mgmt.	Unspecified	\$1,000,000	Yes	<u>Link</u>
Oversight Remedial Action Grant	ECY	Yes	Environmental Mgmt., Restoration	Unspecified	\$115,111,000	Yes	<u>Link</u>
Water Quality Combined Funding Program	ECY	Yes	Environmental Mgmt.	Built Environment	\$100,000,000	Yes	<u>Link</u>

¹⁰ Funding awards depend on revenue from water quality penalties and available regional sub-account levels.

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Grant Name	Lead administrating/ managing entity	Capital Budget	Eligible project types	Habitat type	Available funding	Existing NEG- related criterion?	Link
WaterWorks Grant Program	King County	No	Environmental Mgmt.	Built Environment	\$5,000,000	Yes	<u>Link</u>
Flood Reduction Grants	King County Flood Control District	No	Environmental Mgmt.	Riparian, Coastal	\$12,000,000	Yes	<u>Link</u>
Watersheds Small Grants Program	Pierce County	No	Environmental Mgmt.	Freshwater, Riparian	~\$25,000	Yes	<u>Link</u>
Strategic Initiative Lead Programs - Habitat	PSNEP	No	Restoration	Riparian, Grassland, Forest, Coastal, Freshwater	Depends on grant opportunity	Yes	<u>Link</u>
Strategic Initiative Lead Programs - Shellfish	PSNEP	No	Restoration	Coastal	Depends on grant opportunity	Yes	<u>Link</u>
Strategic Initiative Lead Programs - Stormwater	PSNEP	No	Environmental Mgmt., Restoration	Unspecified	Depends on grant opportunity	Yes	<u>Link</u>
Puget Sound Acquisition and Restoration	PSP, SRFB	Yes	Conservation, Restoration	Riparian	\$30,600,000	Yes	<u>Link</u>
Puget Sound Acquisition and Restoration - Large Capital Program	PSP, SRFB	Yes	Conservation, Restoration	Riparian	\$30,600,000	Yes	<u>Link</u>
Riparian Program	PSP, SRFB	Yes	Restoration	Riparian	\$23,870,000	Yes	<u>Link</u>
Salmon Recovery Grants	PSP, SRFB	Yes	Restoration	Riparian	\$20,000,000	Yes	<u>Link</u>
Targeted Investment Program	PSP, SRFB	No	Restoration	Riparian	\$20,000,000	Yes	<u>Link</u>

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Grant Name	Lead administrating/ managing entity	Capital Budget	Eligible project types	Habitat type	Available funding	Existing NEG- related criterion?	Link
Aquatic Lands Enhancement Account	RCO	Yes	Development, Conservation, Restoration	Riparian, Coastal	\$9,100,000	Yes	<u>Link</u>
Community Forest Grant Program	RCO	Yes	Development, Conservation, Restoration	Forest	\$16,300,000	Yes	<u>Link</u>
WWRP - Farmland	RCO	Yes	Conservation, Restoration	Agricultural	\$9,000,000	Yes	<u>Link</u>
WWRP - Forestland	RCO	Yes	Conservation, Restoration	Forest	\$1,000,000	Yes	<u>Link</u>
WWRP - Habitat	RCO	Yes	Development, Conservation, Restoration	Unspecified	\$45,000,000	Yes	<u>Link</u>
Washington Coast Restoration and Resiliency Initiative	RCO	Yes	Community, Conservation, Restoration	Riparian	\$10,300,000	Yes	<u>Link</u>
WWRP - Recreation	RCO	Yes	Development, Conservation	Unspecified	\$45,000,000	Yes	<u>Link</u>
Riparian Grant Program	SCC	No	Restoration	Riparian	\$25,000,000	Yes	<u>Link</u>
Water Irrigation Efficiencies Program	SCC	Yes	Environmental Mgmt.	Agricultural	\$25,000,000	Yes	<u>Link</u>
Improve Shellfish Growing Areas	SCC	Yes	Environmental Mgmt.	Coastal	\$3,500,000	Yes	<u>Link</u>