

CHAPTER 9 FUNDING OPTIONS

Background

The Chehalis River Basin Flood Authority is a unique institution for flood control. It is composed of 11 separate jurisdictions—one Native American Tribe, three counties, five cities, and two towns. The Legislature created the Flood Authority to evaluate flooding issues throughout the basin. The Legislature also provided funding to serve as local match for a basin-wide solution to flooding problems, a solution to be agreed to by the Flood Authority. Currently, the Flood Authority has no funding mechanism other than funds appropriated by the State Legislature.

This chapter outlines funding options available to individual jurisdictions in the basin, especially the counties, to complete the smaller projects identified in this plan. These include internal funding options (which Counties and other local governments can implement) and external funding options (grants and loans). This chapter also discusses two basin-wide options (Flood Control District and Flood Control Zone District). The chapter ends with an evaluation of the funding options presented.

Options of Individual Jurisdictions

A variety of funding options exist for counties and cities to fund flood hazard reduction projects. A summary of funding options is displayed in Table 1.

Table 1. Funding Options for Individual Jurisdictions

Internal Funding Options	External Funding Options
Developer Contributions	FEMA
- Drainage Development Fees	- Reigle Community Development & Regulatory Improvement Act
- Construction in Lieu of Fees	- Robert T. Stafford Disaster Relief and Emergency Assistance Act
River Improvement Fund	- Disaster Mitigation Act of 2000
Drainage Districts	Corps of Engineers
Local Improvement Districts	- Small Flood Control Projects
Surface Water Utility	- Emergency Bank Protection
County Revenues	- Floodplain Management Services
- Current Expense Fund	- Planning Assistance to the States
- Road Fund	- Habitat Restoration
- Real Estate Excise Tax	NRCS
- Debt Financing	- Watershed Protection and Flood Protection Act
	USDA
	- Farm Program
	Ecology
	- Flood Control Assistance Account Program
	- Centennial Clean Water Fund
	- State Water Pollution Control Revolving Fund
	Emergency Management Department
	- State Hazard Mitigation Grant Program
	Department of Commerce
	- Public Works Trust Fund
	WSDOT/FHA
	- Emergency Relief Funds

Internal Funding Sources

Developer Contributions

Developing land increases the amount and rate of surface water runoff and the need for drainage facilities to handle it. Thus, development creates the need for additional drainage facilities. Developer contributions are a means of recovering a share of the cost of drainage facilities constructed downstream to handle the increased runoff.

Regional drainage facilities may be constructed to handle the runoff from private property within a drainage basin. A comprehensive plan identifies the regional drainage improvements needed to accommodate a projected level of development – usually the maximum development allowable under the comprehensive land use plan or current zoning for the properties within the basin.

The comprehensive plan or development standards may assume that property owners are responsible for limiting runoff from their property to a specified rate or level of flow. If regional facilities are needed, the plan identifies the type and cost of such facilities.

Developers' contributions are frequently used to help fund regional drainage capital improvements but provide no mechanism to operate and maintain improvements or other elements of a comprehensive surface water program. Developer contributions most commonly involve drainage development fees and/or construction in lieu of fees.

Drainage Development Fees

Drainage development fees are collected from a developer at the time the runoff from the property is increased (when the property is developed). The cost of drainage improvements can be allocated among undeveloped properties in the basin based on the total area of land in each zoning classification and the estimated contribution to runoff potentially generated by all land at full development. This determines the share of the capital system costs that should be paid by each land use classification. That value is divided by the undeveloped area in each classification to determine the fee per square foot for developing properties in that classification.

The development fees are collected as each parcel is developed. This method works well in drainage basins with undeveloped property that will need downstream improvements off-site as the land is developed.

The following are the key advantages of drainage development fees:

- An equitable fee for each parcel can be calculated that is determined by the size of the parcel and applicable zoning. This calculation is easy for developers to understand and for the county to administer.
- Fees are based on the estimated cost of constructing off-site improvements.
- New drainage improvements can be scheduled by the county as they are needed. The need is determined by the level of development in each basin.

- Fees are assessed equitably because those collected from property in any drainage basin are used to pay for improvements in that basin only.

The key disadvantages of drainage development fees are as follows:

- The county incurs a liability to provide needed improvements upon receiving the fees.
- Basin plans with capital-cost estimates must be in place before the fee can be calculated.
- Significant changes in zoning, particularly down-zoning, may result in inadequate revenue to fund the facilities.
- Significant increases in construction costs over estimates used in the basin plan may result in insufficient revenue recovery.
- Patterns of development may require construction of more improvements than money is available for.
- Flexibility is limited because funds must be used for improvements in the basin from which they were collected. This requires an accurate accounting record.
- New developers may perceive an unfair burden if most land in the basin is already developed and development fees have not been charged historically.
- Fees pay for capital improvements only.

Construction in Lieu of Fees

This method assumes that the developer will construct or contribute directly to the construction of needed regional improvements in return for the ability to develop the land. This method tends to be used in developed areas with drainage facilities already in place that cannot accommodate increased runoff created by the additional development, or in areas that are experiencing development pressure where facilities are needed before development can take place.

The maintenance responsibility for drainage facilities constructed by developers needs to be defined. If the county is granted ownership or control of the facilities, the county will be able to ensure that the facilities are maintained to an acceptable level.

Key advantages of construction in lieu of fees are as follows:

- Facilities are constructed before the new development occurs.
- The county does not have to administer design and construction.
- The development creating the need for the new improvements will pay for the cost of the improvements.

- The new facilities will often benefit the county and other properties in addition to the new development.
- The county does not have to fund the costs of improvements or may fund only a portion of the costs.
- The county and the developer do not have to wait for the needed improvements to be scheduled into the annual budgeting cycle before the land can be developed.

Key disadvantages of construction in lieu of fees are as follows:

- New development may pay more than its equitable share of the cost of the system. This can be recovered by the initial developer through a “reimbursement agreement” using future development fees.
- Private developers may be financing facilities that serve public needs.
- This method deals only with capital improvements, not with ongoing operation and maintenance (O&M) costs.

River Improvement Fund

The River Improvement Fund, created under the taxing authority established by RCW 86.12, has been a source for financing of flood control maintenance for some counties. The fund was created for counties to finance the construction and repair of flood control facilities.

A River Improvement Fund would be generated from a county-wide levy of up to \$0.25 per \$1,000 assessed value, subject to statutory limitations on rate and amount. The levy rate must be consistent throughout the county, but the revenue appropriation can vary among basins. The funds can be used as a match for flood control costs with the state Flood Control Assistance Account Program (FCAAP). The levy is subject to the following limitations:

- It may not exceed \$0.25 per \$1,000 assessed value.
- Increases in the levy may not force the overall county assessment to exceed statutory limits.

Because this funding strategy is considered a senior taxing district (Table 9-2), it is included when calculating the local tax lid set by Initiative 747 (2001). This means the tax for a River Improvement Fund has the same status as mandatory and essential services such as police, public health, courts and other criminal justice services. If a county has reached the local tax lid, increasing the River Improvement Fund levy would require either a reduction in funding for mandatory and essential services, or a majority vote by county citizens.

Drainage Districts

Creating a drainage district is a method of financing drainage capital improvements and ongoing O&M. The processes of creating a drainage district and setting assessments are specified in RCW 85.06, Drainage District, and RCW 85.38, Special District Creation and Operation. These laws apply specifically to counties and provide a method of financing and operating facilities to serve specific areas of land. A city may operate as a drainage district; however, the creation and assessment process is specifically tied to the legislative authority of the county in which the drainage district is located.

Creation of a drainage district involves a vote by landowners and the election of a board of commissioners. Election of the board reduces the active involvement of the county in the operation and management of the district.

State law also specifies the method of assessing property within a district. Assessment zones must reflect the relative benefit or use each property will receive from district operations and facilities. The assessment zones determine the dollar value of benefit per acre.

A budget must be adopted each year and must demonstrate that the assessments are sufficient to cover annual expenses. The cost of improvements is not included in the special assessment until the year after the improvements are constructed.

Advantages of drainage districts include the following:

- They provide funding for both O&M and capital improvements.
- Assessments are billed on property tax statements and collected with property taxes.
- Costs are equitably allocated to property owners in the district based on benefit or use received on a district-wide basis.

Disadvantages of drainage districts include the following:

- Involvement of the county in the management and operation of the district is limited. The county has a legislative role in creation, but a separately elected board of commissioners manages the district.
- Property owners must approve by vote the creation of a district.
- Funds for capital improvements cannot be collected until after the improvements are completed.
- District creation and benefit-assessment processes defined by statute are very complicated.
- The county's flexibility in working with developers is limited.
- Assessments may be limited by the property tax lid.

Local Improvement Districts

Local improvement districts (LIDs) allow the county to issue bonds for the cost of improvements and to recover the cost through assessments based on “specially benefiting” property. Special benefit is defined by the increased property value that results from the improvements.

For water and sewer improvements, properties are considered specially benefiting when they are physically connected to, or have the ability to physically connect to, the sewer or water system. For drainage improvements, it is often difficult to demonstrate special benefit because there is generally no physical connection, and property value often is not directly affected by the existence of a drainage system, except where flooding is frequent. Moreover, property at the top of a hill does not specially benefit from drainage improvements, but it does contribute to the surface water problems. Property at the bottom of the hill sees a more positive effect from the drainage improvements, even though it contributes only a portion of the runoff.

LIDs have been used to finance water supply, sanitary sewers, and storm drains when all three utilities are needed in an area. An LID might be appropriate for construction of a facility to serve several properties where the runoff contribution and benefit are similar.

Surface Water Utility

The underlying concept of a surface water utility is that all properties contribute surface water runoff to the drainage system and therefore should pay an equitable share of the system’s O&M and capital costs.

RCW 36.89 gives the county authority to generate revenue by charging those who contribute to an increase in surface water runoff or who benefit from any stormwater control facility the county provides. Schools, churches, and other tax-exempt properties, as well as public entities and public property, are subject to the same rates and charges as private properties.

The formation of a surface water utility would give jurisdictions in the basin a continuous and reliable funding source to pay for both capital improvements and ongoing O&M costs. The county would have direct control over rates and charges, rather than being limited to the prescribed methods set forth by statute for a drainage district.

A reliable source of funding is a key element in developing and continuing a successful, well managed surface water management system or a comprehensive flood hazard management plan. The county can create a county-wide utility that is implemented on a basin-by-basin approach using variable rates. The fees can be included with property tax statements; a new billing system is not needed.

The primary disadvantage to establishing a drainage utility is the public perception that a new charge is being imposed for a service already being provided.

County Revenues

A number of county funding sources can be used in a discretionary manner to finance storm drainage and flood control. They include the current expense fund, the road fund, the real estate excise tax, and debt financing.

Current Expense Fund

The current expense fund provides the general revenue used for county operations and services. It is derived from sources including property and sales taxes, fees, licenses, fines, investment interest, and contributions for services from other governments. Taxes are the most significant source of revenue for the current expense fund. Of the amount derived from taxes, property taxes provide the largest percentage. Taxes are levied on all taxable real and personal property. Only a portion of the levy goes into the current expense fund. Dedicated levy amounts are deposited in other funds, such as the River Improvement Fund discussed previously.

The property tax is based on the assessed value of property and the levy rate per \$1,000 assessed value. The county commission or board sets the levy rate, which is subject to two statutory restrictions. RCW 84.52.043 sets the maximum levy rate for the all-county levy at \$1.80 per \$1,000 assessed value. In addition, RCW 84.55.010 restricts the amount of taxes levied to 106 percent of the highest of the three prior years' levy amounts plus an additional amount derived from taxing the assessed valuation of new construction. The latter restriction, called the 106 percent lid, has historically held the maximum levy rate below the \$1.80 per \$1,000 assessed value level.

State law also provides full or partial exemptions to certain types of property and classes of ownership. Some non-profit organizations, such as churches and government, are totally exempt from property taxes, while partial exemptions are given to low-income or senior and handicapped citizens. Also, farm, open space, and timber land is generally valued at less than fair market value.

Road Fund

The road fund is generated by sources including a county road levy, gasoline sales tax, and federal and state grants. A portion of the road fund is used to pay for drainage activities associated with county roads. The county road levy is limited to a maximum rate of \$2.25 per \$1,000 assessed value and is restricted by the 106 percent lid.

Road funds cannot be used for activities unrelated to roads without jeopardizing the county's eligibility for state financial programs including the Rural Arterial Program (RAP).

Real Estate Excise Tax

RCW 82.46 allows counties and cities to levy an excise tax equivalent to 0.25 percent of the sale of real property. These funds are used explicitly for capital facilities on the premise that revenues generated through property sales reduce the burden on the general public of the problems created by growth and development.

Debt Financing

Capital bond financing is an alternative to funding the acquisition, design, construction, mitigation, permit compliance, or other activities such as technical studies needed to achieve a specific “fixed” tangible capital asset such as a levee, revetment or pump station.

The sale of bonds is an option, but financing capital projects without establishing an additional revenue stream to pay for the debt service cost will create additional financial strain on current funds. Options for debt financing include the following:

- General Obligation (GO) Bonds are bonds for which the full faith and credit of the issuing government is pledged. The bonds are secured by an unconditional pledge of the issuing government to levy unlimited taxes to retire the bonds. GO Bonds require voter approval and may create a need to raise taxes to service the debt. To approve these bonds requires 60 percent voter approval and 40 percent voter turnout from the last general election. Interest rates are generally the lowest available.
- Revenue Bonds are bonds whose principal and interest are payable exclusively from earnings of an Enterprise Fund (such as a surface water utility), and therefore may be more equitable than GO Bonds. The Revenue Bonds generally carry higher interest rates and a reserve is required. Bonds usually contain restricted operations and the market is not as broad as for GO Bonds. Usually there is no need for voter approval and limits are often not subject to a debt ceiling.

External Funding Sources

Table 2 lists potential funding sources from state and federal grant and loan programs that should be explored for financing flood hazard management projects in the Chehalis River Basin. This Flood Plan specifies projects that are non-emergency in nature. Most of the funding sources listed here are designed for preventative flood mitigation projects and could address the projects listed in this plan. Other funding sources are available for recovery efforts after a flood disaster is declared. The following external funding sources are sorted by whether they relate to flood prevention or recovery.

Table 2. External Grant and Loan Funding Sources

Funding Source	Agency	Grant/ Loan	Eligible Projects	Funding Amounts	Local Match
PREVENTION					
Reigle Act	FEMA	Grant	Flood hazard mitigation	Variable	25%
Disaster Mitigation Act	FEMA	Grant	Flood hazard mitigation and planning	Variable	25%
Small Flood Control Projects	COE	Grant	Flood control	\$7 million	0% - reconnaissance 25-50% - construction 100% - maintenance
Emergency Bank Protection	COE	Grant	Streambank protection	\$1 million	35%
Floodplain Management Services	COE		Technical assistance and planning guidance	\$7.6 million (Corps-wide)	0%
Planning Assistance to States	COE	Grant	Preparation of plans and studies relating to flood control	Limited to \$500,000 per state annually	50%
Habitat Restoration	COE	Grant	COE project for habitat restoration	Unknown	25%
Watershed Protection and Flood Prevention Act	NRCS	Grant	Improvements to small watersheds	Unknown	0% - construction
Flood Control Assistance Account Program	Ecology	Grant	Projects and plans related to flood hazard management	\$500,000	25% - comprehensive plans 50% - projects 20% - emergency projects
Centennial Clean Water Fund	Ecology	Both	Projects and activities that result in water quality benefits	\$2.5 million – facilities \$250,000 – activities	50% - facilities 25% - activities
Water Pollution Control Revolving Fund	Ecology	Loan	Projects and activities that result in water quality benefits	Unknown	Not applicable
RECOVERY					
Stafford Act	FEMA	Grant	Flood disaster relief and emergency assistance	Variable	25%
Farm Program	USDA	Loan	Emergency assistance to farms and ranches	\$500,000 per disaster	Loan limited to 80% of loss
Hazard Mitigation Grant Program	Commerce	Grant	Flood hazard mitigation	Variable	25%
Public Works Trust Fund	Commerce	Loan	Public works projects	Variable	100% local
Emergency Relief Funds	WSDOT/ FHA	Grant	Flood-damaged roadways	Variable	0% - restoration before 180 days 12.5% - restoration after 180 days

Prevention

Reigle Community Development and Regulatory Improvement Act (PL103-325) - FEMA

Title V of the Reigle Community Development and Regulatory Improvement Act of 1994 (PL 103-325) is referred to as the National Flood Insurance Reform Act of 1994. The Act establishes a program to provide financial assistance to states and communities for planning and implementation of flood mitigation activities.

A new National Flood Mitigation Fund is set up through the Act to fund flood mitigation planning and implementation activities (referred to as FMA- Flood Mitigation Assistance). Money for this fund comes from the National Flood Insurance Fund. The total amount to be credited to the new mitigation fund is \$20,000,000 in each fiscal year.

Conditions

The following conditions for participation in the program are described in the Act:

- Community is defined as a political subdivision that has building code and zoning code jurisdiction over the flood hazard area, and is participating in the flood insurance program.
- To be eligible for funding, the state or community must have a flood risk mitigation plan that:
 - Describes the activities to be funded;
 - Is consistent with specific criteria contained in section 1361 of the National Flood Insurance Act of 1968 (“Criteria for Land Management and Use”);
 - Provides protection to structures that are covered by an existing flood insurance policy;
 - Is approved by the Director;
 - Includes a comprehensive strategy for mitigation activities for areas affected by the plan;
 - Has been adopted by the state or the community following a public hearing.
- The Director (FEMA) has 120 days in which to review submitted mitigation plans and notify the state or community that the plan has been approved or disapproved.

- Funding can be used only for activities included in the approved plan. Activities must be technically feasible, cost-effective, and cost-beneficial to the National Mitigation Fund. Mitigation activities for repetitive loss structures and structures that have incurred substantial damage will receive higher priority.

Funding

Planning and implementation activities have different funding limits under the Act. Both categories of grants are provided on a 75 percent to 25 percent federal to local cost-share basis. The funding limits are described as follows:

- Planning Activities
 - The total amount available for mitigation planning will be \$1,500,000 per year. Single grants to states and communities cannot exceed \$150,000 and \$50,000, respectively. The total amount of grants to any one state and all communities in that state in a fiscal year may not exceed \$300,000.
 - Grants for mitigation planning to states or communities cannot be awarded more than once every 5 years, and each grant may cover a period of 1 to 3 years.
- Implementation Activities
 - Grants for mitigation activities during any 5-year period may not exceed \$10,000,000 to any state or \$3,300,000 to any community. The sum of the amounts of mitigation grants that can be made during any 5-year period to any one state and all communities in that State is limited to \$20,000,000.
 - The limits on grants for mitigation activities described above can be waived for any 5-year period during which a major disaster or emergency is declared by the President as a result of flood conditions in the state or community.

Eligible Activities

The Act lists specific activities that are eligible for funding, as follows:

- Demolition or relocation of any structure located along the shore of a lake or other body of water and certified by an appropriate state or local land use authority to be subject to imminent collapse or subsidence as a result of erosion or flooding;
- Elevation, relocation, demolition, or flood proofing of structures (including public structures) located in areas having special flood hazards or in other areas of flood risk;

- Acquisition for public use by states and communities of property (including public property) located in areas having special flood hazards or in other areas of flood risk and properties substantially damaged by flood;
- Minor physical mitigation efforts that do not duplicate the flood prevention activities of other federal agencies and that lessen the frequency and severity of flooding and decrease predicted flood damages, not including major flood control projects such as dikes, levees, seawalls, groins, and jetties unless the Director specifically determines in approving a mitigation plan that such activities are the most cost-effective mitigation activities for the National Flood Mitigation Fund;
- Beach nourishment activities;
- The provision by states of technical assistance to communities and individuals to conduct eligible mitigation activities;
- Other activities the Director considers appropriate and specifies in regulation;
- Other mitigation activities not described above that are described in the mitigation plan of a state or community.

Disaster Mitigation Act of 2000 (P.L. 106-390) - FEMA

The Disaster Mitigation Act of 2000 (DMA 2000, P.L. 106-390) provides an opportunity for states, Tribes and local governments to take a new and revitalized approach to mitigation planning. DMA 2000 amended the Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) by repealing the previous mitigation planning provisions (Section 409) and replacing them with a new set of mitigation plan requirements (Section 322). This new section emphasizes the need for state, Tribal, and local entities to closely coordinate mitigation planning and implementation efforts.

The Pre-Disaster Mitigation Program was authorized and created when the DMA 2000 amended the Stafford Act to provide a funding mechanism that is not dependent on a federal disaster declaration. Funding for the program is provided through the National Pre-Disaster Mitigation Fund to assist states, local governments and Native American tribal governments in implementing cost-effective hazard mitigation activities that complement a comprehensive mitigation program. This is an annual grant program with funding limits established by congressional appropriation. Since this program is a pre-disaster program, a national competitive process has been established by FEMA that evaluates and ranks project applications, with an emphasis on overall project benefits versus costs. Like the Hazard Mitigation Program, project eligibility is limited based on program requirements. States and Native American governments applying for Pre-Disaster Mitigation must have an approved mitigation plan to be eligible to receive project grant funding.

Small Flood Control Projects – Corps of Engineers

Section 205 of the 1948 Flood Control Act authorizes construction of small flood control projects, including levees, channel enlargement, realignments, obstruction removal, and bank stabilization. Non-structural alternatives may include flood warning systems, raising or flood-proofing of structures, and relocation of floodprone infrastructure. An important proviso attached to this assistance is that each project must be a complete solution to the problem and must not commit the federal government to additional improvements to insure effective operation.

Local government is responsible for 25 to 50 percent of the costs of the project and 100 percent of all future O&M costs. The federal share may not exceed \$7 million for each project under existing authorities.

Emergency Bank Protection – Corps of Engineers

Section 14 of the 1946 Flood Control Act provides for emergency streambank protection to prevent damage to highways, bridge approaches, municipal water supply systems, sewage disposal plants, and other essential public works facilities. Churches, hospitals, schools, and nonprofit public facilities may also benefit from work done under this program. Projects cannot be solely to protect privately owned properties or structures. Again, each project must constitute a complete solution to the problem and must not commit the federal government to additional improvements to insure effective project operation.

Local government is responsible for 35 percent of the project cost. The maximum amount that the Corps can spend on a single project is \$1 million.

Floodplain Management Services – Corps of Engineers

Section 206 of the Flood Control Act of 1960 authorizes the Corps to provide information, technical assistance, and guidance to city, county, state and federal agencies. Examples of the types of informational assistance provided through this program are data on flood sources and types, obstructions to flood flows, flood depths or stages, flood water velocities, flood warning and preparedness, flood damage reduction studies and audits, and floodproofing.

While the Corps provides study findings and pamphlets to its customers free of charge, all costs for services must be reimbursed according to a set fee schedule. Other grant funds may be used to pay for these services wholly or in part.

Planning Assistance to the States – Corps of Engineers

Section 22 of the Water Resources Development Act allows the Corps to assist local governments in the preparation of comprehensive plans for the development, utilization, and conservation of water and related land resources. This program may encompass many types of studies, including water quality, habitat improvement, hydropower

development, flood control, erosion, and navigation. Studies are typically at a planning level and do not include design for project construction.

Costs for projects undertaken under this program require a 50 percent local match. The local match can be met either wholly or in part with other non-federal grant funds. Allotments for each state or Tribe are limited to \$500,000 annually, but typically are much less.

Habitat Restoration – Corps of Engineers

Assistance is available under Section 1135 of the Water Resources Development Act (PL 99-662) to provide funding to modify Corps project structures to restore fish and wildlife habitat.

Fish and wildlife benefits must be associated with past Corps projects. Planning studies, detailed design, and construction are funded with a 75 percent federal cost-share. The program requires a non-federal sponsor to contribute the remaining 25 percent funding match. The potential sponsor requests by letter that the Corps initiate a feasibility study. Following receipt of the letter of intent, the Corps will request study funds.

Watershed Protection and Flood Prevention Act (PL 83-566) - NRCS

The Small Watershed Program of PL 83-566 provides federal funding for watershed protection, flood prevention, and agricultural water management. Funds from PL 83-566 can be used to prepare studies and construct flood control projects, both structural and non-structural. PL 83-566 was modified in 1990 to authorize cost-share assistance to project sponsors for acquisition of wetland and floodplain easements to maintain or enhance the floodplain's ability to retain excess floodwaters, improve water quality and quantity, and provide habitat for fish and wildlife. PL 83-566 is a cost-sharing program that requires matching funds from a local sponsor.

This program was modified as a result of the 1993 flooding on the Mississippi River. The types of eligible projects have been expanded and for some projects the federal cost is shared.

Flood Control Assistance Account Program (FCAAP) - Ecology

The FCAAP program was established by the State Legislature in 1984 to assist local jurisdictions in comprehensive planning and maintenance efforts to reduce flood damages. To be eligible, a community must receive Ecology's approval of its floodplain management activities. Additionally, the county has to meet the requirements of the National Flood Insurance Program (NFIP). Every 2 years, \$500,000 in non-emergency grant funds are available within any one county, but only approximately \$4 million is available statewide, depending on the amount appropriated by the State Legislature. The application period is during the winter, with a deadline in the spring. Ecology evaluates and releases a priority list for funding in July. Non-emergency grants may be effective for work 6 months after funding and negotiations are complete.

Eligible projects include acquisitions; flood protection facility retrofits, setbacks and removals; floodplain and channel migration zone mapping studies; comprehensive flood hazard management planning; and flood emergency warning services.

Distribution of FCAAP grant money is based on eligibility of the applicant and the proposed project. Conditions for funding include the following:

- Grants are limited to 50 percent of the total cost of non-emergency projects.
- Emergency funds of up to \$150,000 per county per biennium are available on a first-come/first-served basis; the state will fund up to 80 percent of the cost of emergency projects.
- Unused emergency funds (\$500,000 to emergency fund) can be disbursed on a discretionary basis by Ecology.
- The state can fund 75 percent of the cost for comprehensive flood hazard management plans.

Centennial Clean Water Fund - Ecology

The Centennial Clean Water Fund (CCWF) is both a grant and a loan program. CCWF-approved projects must be for the planning, design, acquisition, construction, and improvement of water pollution control facilities and activities. Flood control projects are typically not eligible for CCWF funds. However, if a water quality benefit can be demonstrated as a result of a flood control project, CCWF funds can be made available. A total of \$2.5 million is available per funding cycle for facilities, with \$250,000 available for activities under the CCWF.

The CCWF grants program will fund a maximum of five projects per year, no more than two of which can be for facilities. The CCWF requires a 50 percent local match for facilities and a 75 percent local match for activities. The local share may come from any combination of cash, other grants, or loans. In-kind contributions may be used for activities projects only.

The CCWF loan program will issue loans at the following interest rates: 0 to 5 years, 0 percent interest; 6 to 14 years, 60 percent of market rates; 15 to 20 years, 75 percent of market rates.

State Water Pollution Control Revolving Fund - Ecology

Like the CCWF, the State Revolving Fund (SRF) finances planning, design and construction of facilities and the planning and implementation of activities that address water quality problems or water pollution prevention. While the SRF is designed to provide assistance for water pollution control efforts, some flood control projects that will result in water quality benefits may be considered.

SRF loans may be used for up to 100 percent of a project's cost. SRF loans may also be used to provide a match for CCWF grants, with some restrictions.

The following interest rates apply to SRF loans: 0 to 5 years, discretion of Ecology; 6 to 14 years, 60 percent of the bond buyer's index for municipal bonds; 15 to 20 years, 75 percent of the bond buyer's index for municipal bonds.

Recovery

Robert T. Stafford Disaster Relief and Emergency Assistance Act (PL 93-288) - FEMA

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) provides assistance following Presidential declarations of major disasters. Title IV presents details on major disaster assistance programs, including provisions for property acquisition and relocation assistance. Cost-sharing is available for up to 75 percent of the cost of any hazard mitigation measures that the President has determined are cost-effective and which substantially reduce the risk of future damage, hardship, loss, or suffering in any area affected by a major disaster. However, the total amount of mitigation funding under any disaster declaration cannot exceed 15 percent of the total grant funds provided for the disaster.

The specific terms and conditions used to determine if an acquisition or relocation project is eligible to receive federal funding under the Stafford Act are as follows:

- Acquisition and relocation projects funded under this Act must be cost-effective and substantially reduce the risk of future damage, hardship, loss, or suffering in any area affected by a major disaster;
- Acquisition and relocation projects and all other mitigation measures must be identified based on an evaluation of natural hazards;
- The applicant (the county or state) must complete an agreement stating that:
 - The property will be dedicated and maintained in perpetuity for a use that is compatible with open space, recreational, or wetlands management practices;
 - The only new structures erected on the property will be public facilities open on all sides and functionally related to a designated open space, rest rooms, or structures approved by the Director in writing before the start of construction;
 - No application will be made for additional disaster assistance for projects relating to the property and no federal funding will be granted for such projects.

For more details on state implementation of the mitigation section of this federal act, see “State Hazard Mitigation Grant Program” later in this chapter.

Farm Service Agency Farm Program - USDA

The Farm Service Agency (FSA) provides emergency loans to help cover production and physical losses in counties declared as federal disaster areas. Emergency loans may be used to replace essential property, pay production costs associated with the disaster year, pay living expenses, reorganize the farming operation, and refinance debt. To be eligible for Farm Program loans, the applicant must fulfill the following requirements:

- Be an established family farm operator;
- Be a citizen or permanent resident of the United States;
- Have the ability, training, or experience necessary to repay the loan;
- Have suffered a qualifying physical loss, or a production loss of at least 30 percent in any essential farm or ranch enterprise;
- Be unable to obtain commercial credit;
- Be able to provide collateral to secure the loan;
- Have multi-peril crop insurance, if available.

The loan limit is up to 80 percent of actual loss with a maximum of \$500,000 per disaster; special loan requirements and terms apply. Application for emergency loans must be received within 8 months of the disaster designation date.

State Hazard Mitigation Grant Program – Washington Emergency Management Department

The Emergency Management Division of the Washington Military Department coordinates state disaster mitigation, preparedness, response, and recovery activities. Under this mandate, the agency administers the State Hazard Mitigation Grant Program (HMGP, also called the “404 program” after the section of the Stafford Act dealing with hazard mitigation). The HMGP is authorized and partially funded under the Stafford Act. State Hazard Mitigation Grants are made to local governments on a cost-share basis, with the federal, state, and local percentage matches set at 75, 12.5, and 12.5 percent, respectively. Federal funding for this program is contingent on a Presidential disaster declaration. Activities that may be funded through this program include:

- Elevating flood-prone homes or businesses;
- Acquiring (and either demolishing or relocating) flood-prone homes from willing owners and returning the property to open space;

- Retrofitting buildings to minimize damage from high winds, flooding, earthquakes, and other hazards; and
- Implementing minor flood control projects to protect critical facilities.

From the program's inception through August 2006, a total of \$82 million was allocated for these grants in Washington State. Even with this apparently high level of mitigation funding, total requests for grants have consistently exceeded the funds available. Therefore, the state has established a competitive procedure for funding. Applications are reviewed by a panel of state and local officials and scored based on how well they meet the specific terms and conditions required by the Stafford Act (see description above). This process is administered by the Emergency Management Division and selected applications are then sent to FEMA for approval.

Public Works Trust Fund – Department of Commerce

This state fund offers low-interest loans for rehabilitation and repair of public works infrastructure, including surface water facilities. Local governments, such as counties, cities, and special purpose districts, are eligible for these loans. Loans are paid back using revenue from sources such as local utility and sales taxes on local water, sewer, and garbage collection, and from a 0.24 percent real estate excise tax. Applications are accepted annually between April and July.

Emergency Relief Funds—WSDOT and FHWA Title 23

WSDOT serves as the clearinghouse for emergency road repair grants for damage associated with declared federal disaster areas. These grants can provide technical assistance and construction funds to the county from state (Rural Arterial Program) and federal (Federal Highway Administration) sources for temporary or permanent restoration of flood-damaged roadways. Title 23 Emergency Relief Funds are a major source of these funds. Permanent repairs can often incorporate designs that help prevent future damage. The local jurisdiction can also contribute additional funds, beyond that allocated for the emergency relief permanent restoration, to incorporate additional mitigation features into the project.

Basin-Wide Funding Options

The Flood Authority is interested in setting up a basin-wide governance and financing structure. Revised Code of Washington allows for two flood-related districts that could serve the basin as a whole: the Flood Control District (RCW 86.09) and the Flood Control Zone District (RCW 86.15).

Flood Control District

The formation of a Flood Control District, authorized by RCW 86.09, may be initiated by a petition of at least 10 property owners or a county legislative authority resolution. The district is established by the registered voters within the district boundaries, which are

determined by county engineers. A Flood Control District is governed by an elected board of directors.

The purpose of a Flood Control District is the investigation, planning, construction, improvement, replacement, repair or acquisition of dams, dikes, levees, ditches, channels, canals, banks, revetments and other works, appliances, machinery and equipment and property and rights connected therewith or incidental thereto, convenient and necessary to control floods and lessen their danger and damages. Certain powers and rights are governed by RCW 85.38 (Special Districts).

This type of district has the authority to use several different funding mechanisms, including the following:

- Rates and charges (RCW 85.38.145),
- Furnish water for a toll (RCW 86.09.154),
- Special assessments (RCW 85.38.150-.170),
- Special benefit assessments on farm and agricultural land exempted (RCW 86.09.152),
- Special assessment bonds and notes (RCW 85.38.230),
- Special assessment bonds/notes as per RCW 86.09.157 and RCW 85.38.140-170,
- Utility revenue bonds (RCW 86.09.592-.616), and
- All governmental entities benefited by improvements are assessed (RCW 86.09.523 -.529).

Flood Control Zone District

Flood Control Zone Districts, authorized by RCW 86.15, may be established by either a petition signed by 25 percent of the voters in the proposed district, or by action of the county commission or board. A Flood Control Zone District is governed by a board of supervisors, typically the county commissioners or board.

The purpose of a Flood Control Zone District is to undertake, operate, or maintain flood control projects or stormwater control projects or groups of projects that are of special benefit to specified areas of the county (RCW 86.15.020).

This type of district has the authority to use several different funding mechanisms, including the following:

- A regular levy requiring authorization by the supervisors. The maximum amount that can be levied is 50 cents per \$1,000 of assessed valuation (RCW 86.15.160).

- An excess levy as a property tax requiring annual voter approval. This type of levy does not fall under the constitutional and statutory limitations of regular levies. An excess levy is based on property value and would not affect existing county revenues. The levy, if approved annually by voters, can generate substantial revenue for overall surface water management or flood control. However, considerable cost is involved in making voters familiar with the issues on an annual basis, and there is no certainty of funds from year to year (RCW 86.15.160).
- Assessments (RCW 86.15.160).
- Service charges including public entities (RCW 86.15.176).
- Local improvement districts (LIDs) (RCW 86.15.160).
- Subzones which are operated as flood control zones (RCW 86.15.025).
- Revenue and GO Bonds (RCW 86.15.178 and RCW 86.15.170 respectively).
- Stormwater fee charges, including public property (RCW 86.15.160).
- Voluntary assessments for flood or stormwater control (RCW 86.15.165).

Washington has a regular property tax limitation of 1 percent of a parcel's fair and true value. Flood Control Zone Districts are considered to be junior taxing authorities, so their levies are reduced if more senior authorities bring property taxes up to the maximum allowed. Whenever a portion of the county tax levy has reached this maximum, taxes collected for the Flood Control Zone District have to be refunded annually to the more senior taxing authority.

A Flood Control Zone District must be within a county, but a basin-wide entity could be formed by the three counties each forming their own Flood Control Zone District. The districts could then be governed by an interlocal agreement between the three counties.

Funding Source Evaluation

Evaluation Criteria

As the Flood Authority seeks a governance and financing structure, it will need to evaluate the different structures that are available. The following criteria can be used to compare the options listed in this chapter.

- Equity—Does the funding source collect revenue equitably from those who contribute to drainage problems and those who will benefit from improvements?
- Stability—Are revenues from this source reliable and predictable? Can the county plan on them over the long run?

- Control—Can basin jurisdictions control the revenue, increasing it or decreasing it as required to fund programs?
- Adequacy—Does this source generate sufficient revenue to fund the desired program?
- Relatedness—Is this source of funding related to the problem that the revenue will be used to address?
- Ease of Implementation—Can this revenue source be activated quickly enough to fund a program?
- Restrictions—What are the restrictions on using this funding source? Will it fund capital operations? Work on private property? What other restrictions are there?
- Acceptability—Is this source likely to be acceptable to the citizens of the basin and its elected officials?
- Legality—What are the legal restrictions and requirements for implementing or using this source?
- Basin-Wide Applicability—Can this approach be used to fund basin-wide projects across jurisdictional boundaries?

Programs to be Funded

When determining the adequacy of a funding source, it is important to consider the types of programs and projects to be funded. Few funding sources can by themselves meet all the financial needs of hazard mitigation. Therefore, the selected funding mix should be adequate to fund each program element. Basic program elements to be funded include the following:

- Operations and maintenance (O&M),
- Capital improvements,
- Implementation and management of the flood hazard management program, and
- Billing, collection and administering revenue generation.

How each of the internal funding options described above meets these funding use requirements is shown in Table 3.

Table 3. Adequacy of Internal Funding Sources for Various Uses

Option	O&M	Capital Improvements	Management Programs	Billing and Administration
Developer Contributions		X		
Drainage District	X	X		X
River Improvement Fund	X	X		X
Local Improvement District	X	X		X
Surface Water Utility	X	X	X	X
County Revenues	X	X	X	X
Flood Control Zone District	X	X	X	X
Flood Control District	X	X	X	X

A preliminary evaluation of each of the internal funding sources was performed against the criteria listed above. The results are shown in Table 4. Ratings are on a scale of 1 to 10, with 10 being the highest rating.

Table 4. Evaluation of Funding Methods

Evaluation Criteria	River Improvement Fund	Other Districts	Surface Water Utility	County Revenues	Developer Contributions	Flood Control Zone District	Flood Control District
Equity	7	7	8	3	6	8	8
Stability	6	6	9	4	3	9	9
Control	7	4	7	8	4	7	7
Adequacy	8	8	9	6	3	8	8
Relatedness	9	7	9	4	8	9	9
Ease of Implementation	4	2	3	5	5	4	1*
Restrictions	4	6	8	6	4	8	4**
Acceptability	7	7	5	3	8	8	8
Legality	5	5	5	5	4	5	5
Basin-Wide Applicability	1	1	1	1	1	9	10
Total	58	53	64	45	41	75	69
Overall Ranking	4	5	3	7	6	1	2

* A Flood Control District requires a public vote, making it significantly more difficult to implement than a Flood Control Zone District.

** A Flood Control District is limited to certain types of projects that are fully engineered before the district is set up. Therefore, it has greater restrictions than a Flood Control Zone District.

Project Funding Strategy

Most internal and external funding sources listed in this chapter are only appropriate for projects within a single jurisdiction. However, larger projects that will be part of a basin-wide package will require a basin-wide funding mechanism such as a Flood Control District or a Flood Control Zone District. A policy decision between the two types of districts will need to be made by the Flood Authority.

DRAFT