



CHESAPEAKE EXECUTIVE COUNCIL

DIRECTIVE NO. 04-1

Funding the Restoration of the Chesapeake Bay Watershed

In December 2003, the Executive Council directed the Chesapeake Bay Program to “establish and convene a Chesapeake Bay Watershed Blue Ribbon Panel to consider funding sources to implement the tributary strategies basin-wide and to make recommendations regarding other actions at the federal, state and local level to the Executive Council.” The panel was formed and given the charge to:

- evaluate possible funding sources and financing mechanisms for reducing nutrient and sediment pollution throughout the Bay watershed;
- assess and explore financing opportunities from federal, state, local and private sources; and
- emphasize financing efficient pollution reductions from storm water, air emissions, agriculture and sewage treatment plants.

The Blue Ribbon Panel submitted its report to the Executive Council in October 2004 that outlined several conclusions and presented a set of recommendations. As noted by the Chairman of the Blue Ribbon Panel:

- The Chesapeake is a national treasure and a resource of worldwide significance.
- The Chesapeake is a powerful economic engine for the entire mid-Atlantic region.
- The Chesapeake is a rich depository of our culture and history.

The central conclusion of the Panel’s deliberations was that current funding does not meet the needs for restoring Chesapeake Bay water quality by 2010 because the Chesapeake Bay Program does not have a permanent funding base sufficiently large enough to fund the necessary management measures. Restoring the Chesapeake Bay will cost many billions of dollars and requires an unyielding commitment from federal, state

and local governments, private individuals and industry to obtain these funds.

“The Panel believes that restoring the Chesapeake Bay and its watershed depends on a strong regional financing mechanism aimed at coordinating funding and implementation of concrete clean-up plans, built on the state’s Tributary Strategies and based on coordinated timing and performance. . . . Business as usual will not accomplish the task before us.”

The Blue Ribbon Finance Panel proposed the following major action:

“By January 1, 2007, the six Bay watershed states and the District of Columbia should create a Chesapeake Bay Financing Authority, capitalized by the federal and state governments, with the capacity to make loans and grants.”

The Blue Ribbon Finance Panel outlines the conceptual framework for this Authority. Thus, it is necessary to explore the regionally-specific details of developing such an Authority before taking action. This review must identify potentially sustainable funding streams at both the state and federal level and the mechanisms needed to create and manage a permanent, multi-state cooperative fund.

THEREFORE, in furtherance of our commitment to attain the nutrient and sediment load reduction goals of *Chesapeake 2000* in order to remove the Chesapeake Bay from the EPA list of “impaired waters” and the need to secure substantial and sustainable funding for the implementation of our tributary strategies, the Chesapeake Executive Council and the Chief Executives of Delaware, New York and West Virginia direct the Principals’ Staff Committee to convene a Committee of federal, state and

regional finance and legal experts to provide a specific proposal for the establishment of a Chesapeake Bay Financing Authority.

In the development of such proposal, the Committee should address the following:

- The governance structure for the Authority;
- Regulatory and/or legislative changes necessary (state and federal);
- Specific examples of funding mechanisms that could generate necessary revenue streams;
- Decision-making mechanisms relative to the allocation of loan and grant funds.

In support of the committee, we will provide senior-level state liaisons that will facilitate access by the Committee to each state's head of Budget and

Management (or similar state agency), their Gubernatorial, Congressional and state legislative leadership, and other staff, as necessary. We will also work in parallel with the Committee to assist with the identification of necessary state regulatory and/or legislative changes and Congressional actions necessary to implement such an Authority.

This effort will be a substantial undertaking, yet time is of the essence. We direct the PSC to provide a report to the Executive Council as soon as possible but not later than July 1, 2005. The Committee shall provide the Executive Council with sufficient details and background information from their efforts to enable the Executive Council to make an informed decision on how to proceed with the Panel's recommendation for the creation of a Chesapeake Bay Financing Authority.

January 10, 2005

CHESAPEAKE EXECUTIVE COUNCIL

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