



**WESTERN
GOVERNORS'
ASSOCIATION**

2018 ANNUAL REPORT

INSIDE

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Western Governors end budgetary practice of "fire borrowing"
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Dear Friends and Colleagues,

As a Governor who has participated in Western Governors' Association work for years, I've always been impressed with the significant regional policy advanced by the association. Now that I have spent a year as WGA Chair, I have an even better appreciation for that process, one that is reinforced by the rich array of successful work shared in this 2018 Annual Report.

WGA enables its leadership to identify a large policy topic to address. As Chair, I launched the *Western Governors' Workforce Development Initiative*, which has sought to bridge the "skills gap" between employees and employers in the West. The work of the past year has focused on creating enhanced career opportunities for students, graduates and workers to help build a more vibrant regional economy.

The Initiative began last fall with workshops hosted by Western Governors, which I kicked off in Sioux Falls, S.D. Subsequent workshops were hosted by Colorado **Governor John Hickenlooper**, Oklahoma **Governor Mary Fallin** and Washington **Governor Jay Inslee**. The workshops were followed by webinars that delved deeper into issues such as apprenticeships, in-demand credentials, and how technology continues to change the workplace.

WGA ensured that as many people as possible would benefit from this collected wisdom by livestreaming each workshop and then making them available on its website (www.westgov.org) alongside the webinars. That's also where you can find our first-year Initiative report, which includes a series of Findings that define actions Governors can take to promote workforce development and shares success stories from western states. (Learn more in this Annual Report).

The Initiative represents just some of WGA's work in the past year. For example, Western Governors earned a major victory after years of effort when Congress ended the budgetary practice of "fire borrowing," by which federal agencies "borrow" dollars from day-to-day management activities to fund wildfire suppression. This solution should, over time, dramatically improve the ability of federal land managers to mitigate wildfire potential and improve overall forest and rangeland health.

Western Governors also continued work to realign the state-federal relationship, especially the treatment of states as sovereign entities engaged in a government-to-government manner, and not just as stakeholders. The Governors earned a significant win in that regard when the Department of Interior revised the regional boundary map, central to its proposed reorganization, to more closely align with state

boundaries after pointed feedback from the Governors on the first map.

Other bipartisan policy efforts by Western Governors have included our continued work on priorities identified in previous Chairman's Initiatives, including the *Species Conservation and Endangered Species Act Initiative*, launched in 2015 by Wyoming **Governor Matt Mead**, and the *National Forest and Rangeland Management Initiative*, launched in 2016 by Montana **Governor Steve Bullock**. The work of those efforts was additionally highlighted at WGA's inaugural Western Working Lands Forum during March in Denver.

Last December in Phoenix, Arizona, I had the honor of hosting a dozen Governors at the WGA **2017 Winter Meeting**. And in February, 13 Governors gathered at the annual breakfast in Washington, D.C., organized by WGA to meet with cabinet officials, including Labor Secretary **Alexander Acosta**, Interior Secretary **Ryan Zinke**, and Environmental Protection Agency Administrator **Scott Pruitt**. I was joined there by **Bill Walker** (Alaska), **John Hickenlooper** (Colorado), **David Ige** (Hawaii), **Butch Otter** (Idaho), **Jeff Colyer** (Kansas), **Steve Bullock** (Montana), **Doug Burgum** (North Dakota), **Brian Sandoval** (Nevada), **Kate Brown** (Oregon), **Gary Herbert** (Utah), **Jay Inslee** (Washington), and **Matt Mead** (Wyoming).

As I near the end of my final term as Governor, I am reminded that many other Western Governors with whom I have worked in recent years are in the same situation. While I am sorry that I won't have the same opportunities to talk and work with them in the coming years, I will always cherish the time we had to learn from each other and the friendships that have developed, no matter our political affiliation.

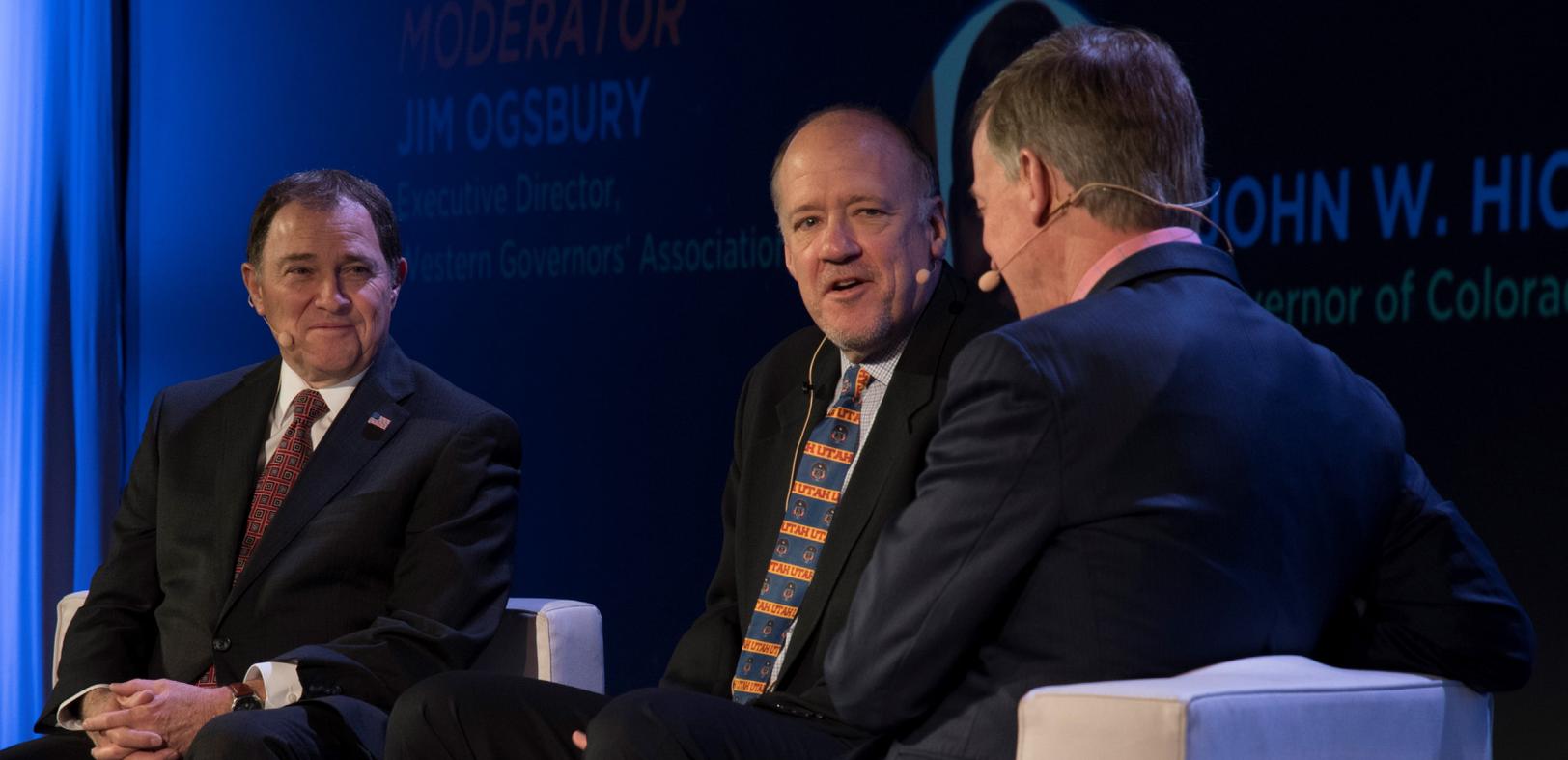
And in that spirit, I strongly encourage the incoming Western Governors to embrace the unique opportunity the Western Governors' Association offers to work together on pragmatic, collaborative policy that benefits the citizens of the West.



Sincerely,

A handwritten signature in black ink that reads "Dennis Daugaard". The signature is written in a cursive, flowing style.

Dennis Daugaard
Governor of South Dakota



Executive Director Jim Ogsbury moderated a conversation featuring Western Governors Gary Herbert of Utah and John Hickenlooper of Colorado at the Governor's Energy Summit in Salt Lake City. Photo courtesy Utah Governor's Office of Energy Development

Dear Friend of the West,

The past year has been an extraordinary one in the life of WGA. During a recent meeting with my senior management team, someone griped that the Governors have enjoyed too many successes to fit them all into this Annual Report. What a great problem to have.

This truly has been a watershed year, and the Governors have scored policy accomplishments at a dizzying rate. Their relentless advocacy of a fix to the federal problem of “fire borrowing” – under which fire prevention funds were regularly transferred to suppression accounts – produced a solution in the omnibus appropriations bill passed by Congress this spring. Western Governors also persuaded the Administration that states have competencies to regulate oil and gas methane emissions and determine financial assurance requirements for the hardrock mining industry, without the need for duplicative federal regulation.

Their herculean efforts to improve the state-federal relationship have begun to bear fruit inside the Capital Beltway. Earlier this year, three Western Governors – **C.L. “Butch” Otter** of Idaho, **Susana Martinez** of New Mexico and **Gary Herbert** of Utah – testified about the problem of the federal government treating states like stakeholders (rather than as sovereigns and partners) before the U.S. House Committee on Oversight and Government Reform. That same day, WGA hosted a state-federal symposium at the Pew Center in Washington, D.C., and we’re aggressively promoting a package of specific proposals for realignment of the state-federal relationship to Congress and the Administration.

Also this year, WGA sponsored its first-ever Western Working Lands Forum, which explored the inter-relationships between a number of WGA policy efforts in the natural resources area, including the *National Forest and Rangeland Management Initiative* of Montana **Governor Steve Bullock** and the *Species Conservation and Endangered Species Act Initiative* of Wyoming **Governor Matt Mead**.

While Western Governors continue to show dominant leadership in resource issues, they have energetically moved into other areas of economic policy. Under the leadership of the Association’s Chair, South Dakota **Governor Dennis Daugaard**, WGA is pursuing an ambitious *Workforce Development Initiative*. The Governors have engaged WGA on targeted trade issues, and we are cooperating with western counties on a project to improve the collection and application of socio-economic data for policy-making purposes.

Many of our current Governors will be concluding their term of service this year. The Association owes these leaders a deep debt of gratitude, as WGA’s recent success has been built upon their collegiality, cooperation and collaboration. As we welcome a new crop of Governors in 2019, we are confident that they will be inspired by WGA’s long legacy of bipartisan accomplishment and committed to its perpetuation.

James D. Ogsbury,
WGA Executive Director





FOREST AND RANGELAND MANAGEMENT

‘Fire-Borrowing’ Solution

Western Governors earned an enormous victory for the West after years of work to end the practice known as ‘fire borrowing.’

Congress, through the March enactment of the Consolidated Appropriations Act, 2018, changed how wildfire suppression costs are estimated and budgeted, setting aside \$2 billion annually for suppression. That change means federal officials no longer will have to divert funds from forest health and fire prevention programs to fight wildfires.

The win comes in the wake of soaring costs for suppression. In FY 2012, wildfire appropriations were \$1.2 billion combined for the U.S. Forest Service (USFS) and Department of the Interior. For USFS, its share of suppression costs accounted for 45 percent of its total budget. By FY 2017, USFS expenditures alone on fire suppression reached \$3.2 billion, accounting for 57 percent of its \$5.6 billion budget.

Western Governors have been resolute in their efforts to achieve a solution, personally reaching out to Congress and the Administration numerous times

in recent years to lobby. Multiple Governors have spoken about the urgency of the issue in State of the State addresses and other regional speeches. Montana **Governor Steve Bullock**, while WGA Chair in 2016-17, made ending ‘fire borrowing’ a central effort of his *Western Governors’ National Forest and Rangeland Management Initiative*.

Ultimately, the Governors’ doggedness helped elevate the visibility of “fire borrowing” to such an extent that continued inaction was not an option for Congress.

Forest and Rangeland Management Victories

The *Western Governors' National Forest and Rangeland Management Initiative Report*, published in June 2017, included 48 legislative and regulatory recommendations to improve land management practices and promote healthy, resilient landscapes and communities.

Over the past year, an impressive 6 of the 18 legislative recommendations were enacted into law. In addition to a solution for 'fire-borrowing,' other priorities of Western Governors cited in the report were addressed in the Consolidated Appropriations Act, 2018. The act:

- **Authorizes** Stewardship Contracting Authority, which permits the USFS and Bureau of Land Management (BLM) to enter into contracts for up to 20 years for the exchange of goods for services to meet land restoration and enhancement goals;
- **Creates** a categorical exclusion under the National Environmental Policy Act for wildfire resilience projects;
- **Addresses** outstanding issues regarding endangered species consultations following the adoption, amendment or revision of forest management plans;
- **Increases** the flexibility of Good Neighbor Authority (GNA) — which permits USFS and BLM to enter into cooperative agreements for states to perform watershed restoration and forest management services — to provide for road reconstruction, repair, and restoration; and
- **Addresses** Western Governors' concerns about vegetation management practices along utility transmission corridors on federal lands by establishing enhanced requirements on electric



Read, download the year-two Initiative report at Westgov.org

transmission and distribution facility rights-of-way.

The Initiative report also advocates for 30 administrative recommendations, many of which in the past year have resulted in positive developments:

- **Idaho** officials signed GNA Supplemental Project Agreements with USFS across four National Forests, and 29 GNA projects are proposed or underway in the state;

- **California Governor Jerry Brown** issued an executive order to combat dangerous tree mortality, increase the ability of forests to capture carbon, and systematically improve forest management;
- **BLM selected** 11 demonstration projects in six states for Outcome Based Grazing Authorizations, which will provide grazing permittees with greater flexibility to meet land management objectives such as drought and wildfire mitigation.
- **By the end of 2017**, USFS had treated more than 1.3 million high-priority acres nationwide under the National Cohesive Wildland Fire Strategy.



Governors' Impact on Reorganization

Western Governors successfully persuaded the Department of Interior (DOI) to revise its draft unified regional boundary map to more closely align with state boundaries. DOI also publicly committed to consult further with the Governors prior to implementation of the reorganization plan.

“Western Governors are gratified that the Department has responded to our previously-stated concerns and are moving towards a state boundary-oriented approach in the latest draft map of its unified regional boundaries,” said WGA Executive Director Jim Ogsbury.



Elizabeth Brown, Colorado Department of Parks and Wildlife, makes a point during the Cross-Boundary Invasive Species Management roundtable at the inaugural Western Working Lands Forum.

Western Working Lands Forum

WGA hosted its inaugural Western Working Lands Forum to examine challenges to cross-boundary planning among state and federal agencies and land management strategies that span state, federal and private working lands.

The forum, conducted in Denver in March 2018, assembled a variety of experts — including land and wildlife managers, academics, elected officials, and representatives of industry and

non-government organizations.

Participants considered challenges and opportunities associated with the implementation of cross-boundary and inter-jurisdictional land management strategies and discussed the definition of “landscape-scale” planning and management through the prisms of various policy and resource management disciplines.

Panelists and keynoters highlighted the importance of ensuring that a full range of factors, from local community concerns to regional ecosystem needs, are addressed in land management decision-making processes. WGA now will build on the excellent ideas generated by the forum to identify areas for further study and examine how to better integrate landscape-scale considerations into local land management decisions.



REALIGNING THE STATE-FEDERAL RELATIONSHIP

WGA’s efforts to protect state authority, realign the state-federal relationship and promote an authentic partnership between Governors and federal officials were taken to a new level during 2017-18. These efforts have led to broad recognition of the association’s national leadership on the resurgent issue of cooperative federalism.

During 2017-18, WGA:

- Created the Western Policy Network (WPN), a confederation of associations representing state and local officials. The WPN is a mechanism for sharing information and coordinating strategies on issues of collective interest. The 15-member network includes such organizations as the Western Interstate Region of the National Association of Counties, Council of State Governments – West, the Conference of Western Attorneys General, and the Pacific Northwest Economic Region;
- Organized a breakfast in Washington, D.C. for 13 Western Governors to discuss better state-federal cooperation with Department of the Interior Secretary **Ryan Zinke**, Department of Labor Secretary **Alexander Acosta** and Environmental Protection Agency Administrator **Scott Pruitt**;
- Was appointed to the Advisory Council of the Speaker’s Task Force on Intergovernmental Affairs;
- Cooperated with the U.S. House Committee on Oversight and Government Reform and the

House Speaker’s Task Force on Intergovernmental Affairs to plan and execute a hearing on the problem of the federal government treating states as stakeholders – rather than as sovereigns and partners. The hearing featured the live testimony of three Western Governors whose appearance was arranged by WGA: **C.L. “Butch” Otter** of Idaho, **Susana Martinez** of New Mexico and **Gary Herbert** of Utah;

- Organized and conducted a major symposium, the State and Local Government Associations Summit, at the Pew Center in Washington, D.C. The event brought together federal officials and representatives of state and local government for a robust and substantive exploration of the state-federal relationship. The Administration was represented by officials from the White House, other arms of the Executive Office of the President, and several departments and agencies, including the Department of the Interior, the Department of Agriculture and the Environmental Protection Agency; and
- Aggressively promoted to Congress and the Administration a sweeping package of reforms to improve the state-federal relationship. Adoption of these specific legislative and regulatory recommendations – based on WGA Policy Resolution, *Building a Stronger State-Federal Relationship* – would fundamentally realign the state-federal paradigm to engage Governors as full partners in the development and execution of federal policy.

State-Federal Relationship Victories

Payment-in-Lieu-of-Taxes:

The Consolidated Appropriations Act, 2018, includes \$530 million for the program, a 14 percent increase over FY17 levels. The program provides payments to local governments, which offset losses in property taxes due to the presence of non-taxable federal lands in the West, support critical services, such as firefighting and police protection, construction of public schools and roads.

Secure Rural Schools Program:

The Consolidated Appropriations Act also includes funding for the program, which compensates states and counties for the loss of shared timber sales receipts due to federal land use decisions. The payments help fund critical education, infrastructure, and other basic needs in rural, forest-dependent communities.

EPA Directives:

The *Promoting Transparency and Public Participation in EPA’s Settlement Process* directive issued in October requires EPA to “seek concurrence of any state” before entering a settlement agreement. *Strengthening and Improving Membership on EPA Federal Advisory Committees* directs EPA to increase state, tribal, and local government participation on federal advisory committees.

Western Governors and Administration members, from left: Doug Burgum (North Dakota), Environmental Protection Agency Administrator Scott Pruitt, Brian Sandoval (Nevada), Kate Brown (Oregon), Secretary of Labor Alexander Acosta, Dennis Daugaard (South Dakota), Bill Walker (Alaska), Secretary of the Interior Ryan Zinke, Jeff Colyer (Kansas), Gary Herbert (Utah), Matt Mead (Wyoming), Steve Bullock (Montana), C.L. “Butch” Otter (Idaho), and David Ige (Hawaii). Not pictured: John Hickenlooper (Colorado) and Jay Inslee (Washington).

CHAIRMAN'S INITIATIVE



WORKFORCE DEVELOPMENT INITIATIVE

Changes in states' economies and labor markets and the transformative impacts of technology have combined to make workforce development a top priority for Western Governors. While low unemployment rates across the West represent a positive economic development, a smaller pool of available workers results in the inability of businesses to find enough qualified workers. CEOs are raising the alarm that "talent gaps" are causing issues in their business or industry. The largest gap is in "middle skills" jobs – those that require more than a high school diploma but less than a four-year degree.

South Dakota Governor **Dennis Daugaard**, as Chairman of the Western Governors' Association, launched the *Western Governors' Workforce Development Initiative* in July 2017 in response to these growing challenges. The work of the Chairman's Initiative has leveraged the region's best thinking to help bridge the gap between prospective workers and employers in the West and create enhanced career opportunities for students, graduates and displaced workers.

The *Workforce Development Initiative* has examined these issues in several ways, starting with a slate of workshops hosted by Western Governors **Dennis Daugaard** in South Dakota, **John Hickenlooper** in Colorado, **Mary Fallin** in Oklahoma and **Jay Inslee** in Washington. The workshops gathered policymakers, educators, business leaders, and community organizations to discuss the challenges they face, promising solutions, and how Governors across the West are improving education and workforce development.



Governor Dennis Daugaard kicked off the *Workforce Development Initiative* workshops in Sioux Falls, S.D.



Read the Chairman's Initiative Report at Westgov.org

WGA subsequently conducted a series of webinars designed to delve deeper into issues that arose during the workshops. Webinar topics included: expansion of youth apprenticeship programs; state prioritization of college and career readiness; rural workforce development; and means for strengthening lifelong learning. The webinars and the livestreams of each workshop are available on the WGA website.

The Initiative report presents the following findings, as well as recommendations and suggested steps that Governors can take.

Integrate State Efforts:

Governors are uniquely situated to highlight workforce development challenges and develop statewide strategies. Governors can exercise powerful leadership in coordinating the work of state agencies involved in education, training, labor and workforce services, as well as among external partners.

Value All Pathways:

Better communication about postsecondary credentials other than four-year degrees, and ensuring that state policy maximizes these educational opportunities, is essential. By doing so, Governors can help erase



Colorado Governor John Hickenlooper, left, discussed the challenge of developing a strong workforce at a time of low unemployment. Washington Governor Jay Inslee highlighted the nobility of all work and the critical importance of innovation, while Oklahoma Governor Mary Fallin addressed the challenge of closing the gap between the skills prospective employees now have and the skills employers will need.

stigmas associated with technical education and boost the number of students who benefit from these career pathways.

Connect Education to Careers:

Students need better guidance to make informed decisions about their postsecondary education and career plans. Governors can ensure that educators, students and parents can find the information they need about jobs available in their states and what education or credential is required to qualify for these jobs. They can also implement policies to increase the career readiness of high school graduates.

Create Pathways to In-Demand Careers:

Governors can provide leadership in the development of career pathway programs, especially by helping to leverage the insights of industry leaders and key employers to design coursework and curricula more aligned to workforce opportunity. They also can promote work-based learning such as apprenticeships.



Upgrade Skills:

Many adults in the workforce are underemployed or stuck in low-skill, low-wage jobs. Governors can take steps to make training and education more accessible to working adults to empower their transition to higher skilled, better paying jobs.

Address Rural Challenges:

The skills gap is particularly acute in the rural West where major economic shifts and automation have displaced

Secretary of Labor Alexander Acosta spoke at the kickoff workshop for the Initiative and the WGA Winter Meeting.

workers and where there also is a shortage of skilled workers in fields such as healthcare and education. Expanding rural broadband access in rural communities is a critical step toward aligning the skills of the available workforce to the needs of rural communities.





INVASIVE SPECIES

The Western Governors formed the **WGA Invasive Species Advisory Group** in 2016 to provide technical assistance for the association's ongoing invasive species work. During the last year this 30-member group, comprised of state and federal agency staff, non-profits, industry, and academic institutions, played a key role in several WGA efforts, including:

- **Development of WGA's Invasive Species Data Protocol** – a new regional standard to guide the interagency exchange of invasive species occurrence data. This new protocol was the outcome of the 2018 WGA Invasive Species Data Workshop. It will help increase the availability of invasive species data to land managers and reduce redundancy among the major invasive species data management systems in the West.
- **Compilation of the WGA Top 50 Invasive Species in the West** – a first-of-its-kind regional invasive species prioritization tool. The list is designed to enhance the work of invasive species managers in addressing cross-border issues and help prioritize regional invasive species projects.
- **Provision of Technical Assistance** – throughout WGA's ongoing collaboration with the Department of the Interior (DOI) to combat the spread of invasive quagga and zebra mussels in the West.

WESTERN GOVERNORS' ASSOCIATION
Top 50 Invasive Species in the West

Invasive species pose an enormous environmental challenge to western states and territories. Western Governors have experienced first-hand how these invaders affect the region's forests and rangelands, water, and agriculture. Left unchecked, invasive species permanently alter ecosystems and negatively impact the native species and local economies that depend upon them.

The Nature Conservancy has estimated that invasive species management costs over \$100 billion a year and affects more than 100 million acres – an area the size of California. Additionally, invasive species are estimated to have contributed to the decline of 42 percent of threatened and endangered species.

Land managers must combat a nearly limitless number of invading species with a limited amount of resources. In this environment, it is critical to have up-to-date information to plan and prioritize management decisions. Individual states have developed invasive species risk assessments within their boundaries. Until now, however, no such list has existed for the western region.

The Western Governors' Association (WGA) has addressed this need by surveying invasive species coordinators in WGA member states and territories

to develop the "Top 50 Invasive Species in the West." The compilation of terrestrial and aquatic invasive species includes highly-publicized examples such as cheatgrass, Quagga Mussels, tamarisk, and the Emerald Ash Borer. The list also encompasses less well known, but still impactful, examples such as leafy spurge, Red shiner, Russian knapweed, and Golden algae.

This first-of-its-kind risk assessment by WGA will enable state managers to better understand regional-level risks posed by terrestrial and aquatic invasive species and improve cross-boundary management actions. Additionally, this effort of WGA's Invasive Species Data Management Project will be used to populate the association's West-wide Invasive Species Risk Assessment, created to help guide future work to battle invasive species.



Quagga and Zebra mussels.

Top 50 Invasive Species in the West

Invasive species pose an enormous environmental challenge to western forests and rangelands, water and agriculture. It is critical for land managers to have up-to-date information to plan and prioritize management decisions.

Individual states have developed invasive species risk assessments within their boundaries, but no such list previously existed for the entire western region. WGA, guided by its Invasive Species Advisory Committee, surveyed invasive species coordinators in its member

states and territories to develop the *Top 50 Invasive Species in the West*, the first-ever regional assessment of this environmental challenge.

The compilation of terrestrial and aquatic invasive species includes highly-publicized examples such as cheatgrass and quagga mussels, as well as less well known, but still impactful, examples such as leafy spurge and golden algae.

The list, released in connection with WGA's inaugural Western Working Lands Forum in March, is available for download on the WGA website.

Policy Work & Victories for Governors

- The Consolidated Appropriations Act, 2018, contains over \$21 million for aquatic invasive species programs, of which \$1 million is to help state-led aquatic invasive species management programs.
- The DOI report "Safeguarding the West from Invasive Species" highlights the department's collaboration with Western Governors on this issue.
- The FY18 Appropriations Committee Report for the Interior, Environment, and Related Agencies "recognizes and commends the considerable effort and collaboration involving western governors ... to develop a package of actions and initiatives to protect

areas in the West from the economic and ecological threats posed by invasive mussels."

- In December 2017, DOI and the National Park Service met with WGA and state agency staff at Lake Mead National Recreation Area to discuss methods to reduce the risks invasive quagga and zebra mussels pose to the West.



ENVIRONMENTAL MANAGEMENT

CERCLA 108(b) Financial Assurance

ISSUE:

The Environmental Protection Agency's (EPA) proposed rule, *Financial Responsibility Requirements under CERCLA 108(b) for Classes of Facilities in the Hardrock Mining Industry*, threatened to preempt existing state regulations, was duplicative of state financial assurance programs, and was developed without meaningful state consultation.

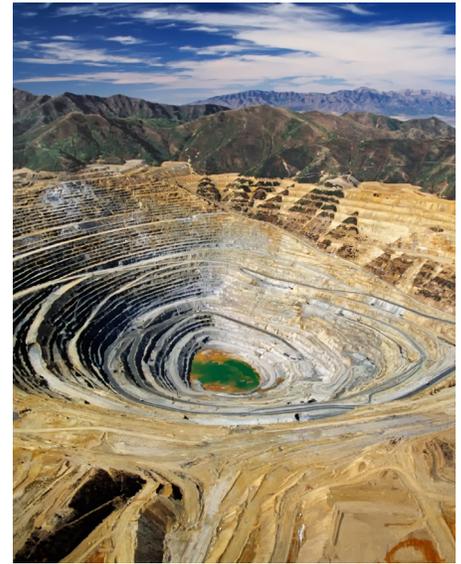
ACTION:

Throughout the rulemaking, the Governors repeatedly requested that EPA consult with states and reconsider the need for the rule. In June 2017, the Governors recommended that

EPA conclude that the classes within hardrock mining should never have been classified for regulation under CERCLA 108(b).

RESULT:

In December 2017, EPA decided not to issue a final rule. "Western Governors appreciate EPA's decision," said WGA Executive Director Jim Ogsbury, who added that the rule would have "duplicated or supplanted existing and proven state financial assurance regulations." The Consolidated Appropriations Act of 2018 also prohibited the use of funds to finalize, implement, administer, or enforce the proposed rule.



Coal Combustion Residuals

ISSUE:

EPA elected to regulate coal combustion residuals (CCRs) as non-hazardous solid waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA). This created a dual federal and state regulatory system because EPA was not authorized to delegate its CCR program to states (in lieu of a federal program). The Governors had long advocated for CCR regulation at the state level, as articulated in WGA Policy Resolution 2017-07, Regulation of Coal Combustion Residuals.

RESULT:

In December 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act), which



empowers states to oversee the regulation of CCRs and authorizes EPA delegation. EPA recently proposed revisions to its CCR regulations to align with the WIIN Act.

NEXT STEPS:

The Governors have offered feedback to EPA on multiple occasions about

the agency's proposed revisions to its CCR regulations. The Governors support revisions that increase flexibility for states to manage CCRs and also acknowledge state primacy over groundwater and urge EPA to work with states to promote beneficial uses of CCRs.



Clean Air Act

ISSUE:

The Clean Air Act (CAA) directs states to reduce emissions from criteria pollutants that states can control – not natural or international sources. Air quality in the West has benefited from significant emissions reductions over the last 20 years, but the number and types of remaining emissions sources controllable by states are limited. The West is disproportionately impacted by wildfires, high wind dust events, and international transport of pollutants. Pollutant sources, methods of dispersion, and types of impacted areas in the West are very different than those in the eastern United States.

ACTION:

The Governors have urged EPA to recognize state authority under the CAA and accord states with sufficient flexibility to create air quality programs tailored to individual state needs, industries and economies. The Governors have provided EPA with recommendations to improve its activities regarding state-federal consultation, ozone regulation, exceptional events, regional haze, and wildfire and prescribed fire.

RESULT:

The President has issued a Presidential Memorandum directing EPA to: (1) take timely action on CAA State Implementation Plans, exceptional event demonstrations, and international emission petitions; (2) consult with states on modeling and monitoring, and provide methods that promote innovative state approaches; (3) account for natural variability in meteorological conditions and provide flexibility to states regarding offsets, especially in rural areas; and (4) concurrently issue guidance with final rules establishing or revising National Ambient Air Quality Standards. These actions align with the Governors' recommendations.



ENERGY



Carbon Capture

ISSUE:

Responsible enhanced oil recovery (EOR) using carbon dioxide (CO₂) is a safe and commercially proven method of domestic oil production that reduces U.S. dependence on foreign sources, provides low-carbon production, and economic opportunity. CO₂ is currently limited in availability and natural sources will not close a supply gap projected to grow in EOR. Further, CO₂ capture and pipeline transport capacity to oil fields is not sufficient to meet demand.

ACTION:

The Governors support the advancement of carbon capture technology due to its environmental and economic benefits. They backed the Carbon Capture, Utilization, Technology, Underground Storage, and Reduced Emissions (FUTURE) Act, which created greater regulatory certainty for the Carbon Dioxide Sequestration Credit in Section 45Q of the Internal Revenue Code of 1986. The Governors have also urged Congress to support the Utilizing Significant Emissions with Innovative Technologies (USE IT) Act, which requires actions to streamline and clarify permitting for carbon capture, utilization, and sequestration projects and pipelines.

RESULT:

Congress passed the FUTURE Act, and the USE IT Act has been reported to the House.

Hydraulic Fracturing

ISSUE:

Western states with oil and gas production have robust regulations to protect the environment and public health. They are best equipped to regulate oil and gas development. WGA Policy Resolution 2018-04, Energy in the West, states that redundant federal regulation of energy development, transport and use is not necessary where sufficient state, territorial, or flag island regulations exist. The Bureau of Land Management (BLM) had previously issued a final rule regulating hydraulic fracturing on federal lands that was duplicative of state regulations.

ACTION:

BLM proposed rescission of its hydraulic fracturing rule after it determined that all 32 states with federal oil and gas leases currently regulate hydraulic fracturing. The Governors, who have repeatedly stressed that BLM's rule is duplicative of states' regulations, voiced their support of the rescission.



RESULT:

BLM rescinded its hydraulic fracturing rule because it was unnecessarily duplicative of state regulations and “because (BLM) believes it imposes administrative burdens and compliance costs that are not justified.”

Methane Emissions

ISSUE:

Many western states implement regulatory strategies to reduce methane emissions in oil and natural gas operations. These state regulations encourage enhanced capture of methane emissions, facilitating expansion of the market for the use and sale of methane, while also substantially reducing the amount of methane emitted from oil and natural gas operations. In 2016, BLM issued a final rule regulating methane emissions on federal lands.

ACTION:

Throughout the rulemaking, Governors urged BLM to respect state authority under the Clean Air Act and defer to

existing state programs regulating methane emissions from oil and gas operations.

RESULT:

BLM has suspended or delayed certain requirements in its final methane emissions rule while it engages in its regulatory review of the rule. BLM has stated that this action “does not leave unregulated the venting and flaring of gas from Federal and Indian oil and gas leases . . . regulations from the BLM, the EPA, and States will operate to address venting and flaring during the period of the suspension.” Congress has also directed BLM to work collaboratively with states on methane emissions issues.

Royalties

ISSUE:

Despite the states' substantial interest in the revenues associated with royalty and leasing programs and agreements, the federal government has often limited state participation in the decisions affecting these revenues.

ACTION:

In WGA Policy Resolution 2017-02, *States' Share of Royalties and Leasing Revenues from Federal Lands and Minerals and States' Role in Associated Federal Policy*, the Governors advocate for providing states with a forum to advise the Department of the Interior (DOI) on federal mineral leasing royalty policy, such as through reestablishment of the Royalty Policy Committee.

RESULT:

DOI reinstated the Royalty Policy Committee and sought input from Governors on committee nominees.





SPECIES CONSERVATION

The focus of Western Governors’ species conservation and Endangered Species Act (ESA) work during 2017-18 was on the incentivization of conservation as a means of precluding the need to list species under the ESA.

Two work sessions generated extensive information exchange between state, local and federal wildlife experts, along with representatives from industry, conservation organizations, and academia. Ultimately, the work sessions informed WGA’s efforts to:

- **Create** a list of barriers to incentivizing conservation as a means of precluding the need to list species as threatened or endangered;
- **Determine** ways to enhance funding for wildlife and habitat conservation;
- **Facilitate** proactive voluntary species conservation efforts; and
- **Improve** coordination of species conservation and land management across jurisdictional lines.

Administrative Victories

Recommendations emerging from the *Species Conservation & Endangered Species Act Initiative* resulted in a series of policy wins for Western Governors, including:

- The Department of the Interior (DOI) Draft Strategic Plan FY 2018-2022 states that “all Fish and Wildlife Service (FWS) decisions on whether to list a species under the ESA will be informed by input from state fish and wildlife agencies.”
- The Strategic Plan also asserts that FWS should solicit state data and state personnel involvement in the development of Species Status Assessments.
- The Energy Burdens Report produced by DOI notes that it will “build upon the efforts” of WGA to facilitate conservation stewardship, citing the *Species Conservation and Endangered Species Act Initiative*.
- The FWS issued guidance requiring the agency to formally request participation on species status assessment teams of gubernatorial representatives from all affected states.

Appropriations Victories

The Consolidated Appropriations Act, 2018 included the following wins for Western Governors.

- Guidance to FWS to improve and increase collaboration with states in all stages of ESA implementation;
- Language directing the FWS to increase involvement by states in activities such as species status assessments and recovery planning and implementation;
- Language urging FWS to avoid entering multi-species settlement agreements unless affected state and local governments are parties to such agreements;
- Direction to develop a plan to improve transparency of the data and material used to inform listing determinations; and
- Direction to DOI and USFS to fully utilize state fish and wildlife data and analyses as primary sources to inform land use, planning and related natural resource decisions.

 Read, download the complete species conservation report at Westgov.org

Western Governors earned victories with respect to their water-related policy priorities, and they continued to press for results in other areas. In brief:

Snow Survey and Water Forecasting Program: Western Governors have consistently backed funding for the Natural Resources Conservation Service’s Snow Survey and Water Forecasting Program, as forecasts of water supply are critical to western decision-makers for uses ranging from agriculture to flood control. The Consolidated Appropriations Act, 2018, provides \$9.38 million for the program, a continuation of FY17 appropriation levels.

Lead and Copper Rule: The Environmental Protection Agency (EPA) invited Western Governors to participate in a January 2018 federalism assessment of the agency’s planned long-term revisions of the *Lead and Copper Rule*. The invitation resulted from the Governors’ request that EPA pursue state consultation with “diligence” because “the delivery of clean, reliable drinking water is essential for public health, strong economies, and quality of life.” WGA subsequently submitted additional comments to EPA.

“Surplus Waters” regulation: Western Governors remain unsatisfied with how the U.S. Army Corps of Engineers plans to “engage with, and respond to, states as it moves forward” with its proposed rule, *Policy for Domestic, Municipal, and Industrial Water Supply*



Uses of Reservoir Projects operated by the Department of the Army. The Governors have consistently asserted that the proposed rule would affect Corps water reservoir projects located in western states and threaten to interfere with those states’ primary authority to manage and allocate water resources within their boundaries. On June 13, 2018, WGA policy advisor **Ward Scott** reasserted the Governors’ position in testimony before the Senate Subcommittee on Superfund, Waste Management and Regulatory Oversight.

Waters of the United States (WOTUS): The Administration formally suspended this clean water regulation in January. Western Governors, who had sought for states to be co-regulators and to ensure that state water managers have a meaningful voice in development of the rule’s jurisdiction, continue to seek a role in

development of any new rule. Recent work in connection with the regulation includes:

- The staffs of WGA and individual offices of Western Governors participated in a June 2017 federalism consultation with EPA and the Corps to discuss renewed rulemaking efforts to define WOTUS. WGA subsequently submitted comments to the agencies regarding the proposed rulemaking, its potential federalism impacts and the need for effective consultation with states early in the rulemaking process.
- EPA and the Corps, through an additional rulemaking, in January 2018 added an applicability date to the 2015 Clean Water Rule, pushing back its effective date to February 6, 2020. The agencies are currently developing a new rule to define WOTUS.

Water Transfers

The U.S. Supreme Court declined in February 2018 to take up the case challenging the reasonableness of the EPA’s Water Transfers Rule. This declination represents a win for the Governors, as it operates to uphold

a lower court decision affirming the rule’s validity.

Western Governors have long supported the rule that water transfers between navigable waters (that do not subject

the water to an intervening industrial, municipal, or commercial use) do not constitute an “addition of pollutants” and are not subject to National Pollutant Discharge Elimination System permits under the Clean Water Act.



MEETINGS AND OUTREACH

GOVERNORS' MEETINGS

Ten Governors gathered for the **2017 Annual Meeting** hosted by Montana Governor **Steve Bullock**, the immediate past Chair of WGA. The meeting in Whitefish, Montana was highlighted by pollster **Frank Luntz's** keynote on 'words that work', remarks by Interior Secretary **Ryan Zinke**, and a conversation with actor and child hunger advocate **Jeff Bridges**. Also, WGA published a report (including specific statutory and administrative recommendations) on the *National Forest and Rangeland Management Initiative* of Gov. Bullock.

A dozen Governors gathered at the **2017 Winter Meeting** in Phoenix, Arizona. This was the highest number of Governors to attend a Winter Meeting in nearly 30 years. They discussed critical issues, such as autonomous vehicles and infrastructure, and engaged in conversations with Labor Secretary **Alexander Acosta** and Transportation Secretary **Elaine Chao**. In addition, Governor **Dennis Daugaard** shared a video and offered a mid-year report on the *Workforce Development Initiative*, his central policy initiative as Chair.

OTHER HIGHLIGHTS

The Governors held their annual breakfast meeting with Administration officials during February in Washington, D.C. Environmental Protection Agency Administrator **Scott Pruitt**, Interior Secretary Zinke and Labor Secretary Acosta answered Governors' questions, discussed state-specific issues, and explored how to achieve a more collaborative state-federal relationship. In all, 13 Governors attended, including: **Steve Bullock** (Montana), **Kate Brown** (Oregon), **Doug Burgum** (North Dakota), **Jeff Colyer** (Kansas), **Dennis Daugaard** (South Dakota), **Gary Herbert** (Utah), **John Hickenlooper** (Colorado), **Jay Inslee** (Washington) **David Ige** (Hawaii), **Matt Mead** (Wyoming), **C.L. "Butch" Otter** (Idaho), **Brian Sandoval** (Nevada) and **Bill Walker** (Alaska).



Governors Bullock and Daugaard passed the gavel at the Annual Meeting, where pollster Frank Luntz offered a keynote.

WGA Executive Director **Jim Ogsbury** continued to extol the Governors' bipartisan work in keynotes and panel discussions from coast to coast. To focus attention on the *Western Governors' Workforce Development Initiative*, for example, he spoke to the Association for Career and Technical Education in Colorado Springs and an assembly of academic centers of excellence in cybersecurity (organized by the National Security Agency) in Bellevue, Wash. He moderated a conversation between Governors **John Hickenlooper**

and **Gary Herbert** at the annual Governor's Energy Summit in Utah and represented the Governors at a special forum in Salt Lake City on the proposed reorganization of the Interior Department that was organized by Rep. **Rob Bishop**, Chairman of the House Natural Resources Committee.

MEDIA COVERAGE

Western Governors continued to receive extensive media coverage during the past fiscal year. More than 200 stories appeared in newspapers and broadcast outlets on their policy work and events such as the inaugural **Western Working Lands Forum**. Much of this coverage was included in outlets of national and regional significance such as *Politico*, *The New York Times*, *Washington Post*, *Associated Press*, *Bloomberg BNA*, *E&E News*, *The Hill*, and *ABC News*.

WEBSITE

The re-imagined and redesigned website (westgov.org) encouraged more page exploration and offered improved search optimization. Since its relaunch in June 2017, the website has experienced a steady increase in site visits and explosive growth of more than 40 percent in pages viewed.



CELEBRATE THE WEST

The second year of the “Celebrate the West” regional art competition challenged high school students to create works inspired by their state or living in the West. The competition attracted more than 300 entries from the 19 member states of WGA, as well as the Northern Mariana Islands and Guam. Winning artwork was displayed at the 2017 WGA Annual Meeting in Whitefish, Montana, where meeting attendees had a chance to view the state finalists and vote for “Best of Show.”



Holden True Yorgason of Riverton High School in Wyoming took home First Place for his fused glass piece, top.

Rachel Bai of Texas took second place and won Best of Show, as voted by meeting attendees, for her colored pencil drawing, middle.

Bryndle Goyins of Arlee High School in Montana earned third place for her piece, right, created with wood, wood burner and watercolor.



Following are the 2017 state winners. See their artwork online at westgov.org:

- **Alaska:** Devon Cummiskey, Kodiak High School, *Alas'kaam Tingalag (Eyes of Alaska)*, pencils
- **Arizona:** Abigail Fowkes, Highland High School, *Superstition Museum*, digital painting and graphics tablet
- **California:** Aubree Van Sluytman, Obavan Home School Academy, *Kumeyaay Reflection*, colored pencils
- **Colorado:** Isaac Russell, Home School, *Cottonwood*, acrylic paint
- **Guam:** Rebecca Amuan, Simon Sanchez High School, *Guam and Places to Visit*, acrylic paint
- **Hawaii:** Bridget O'Connor, Mid Pacific High School, *Clear Skies*, acrylic and pen
- **Idaho:** J. Reilly Hendrix, Bonneville High School, *Evening Ride*, oil paint
- **Kansas:** Abigail Gibbons, Olathe Northwest High School, *Kansas Sunsets*, colored pencils
- **Montana:** Bryndle Goyins, Arlee High School, *Bear in the Bitterroot*, wood/wood burner/ watercolor
- **Nebraska:** Anastasia Sousek, Bishop Neumann High School, *Nebraska in the Eyes of a Farmer*, graphite pencil and prismacolor
- **Nevada:** Madison Alldridge, Chaparral High School, *Nevada Dusk*, acrylic paint
- **New Mexico:** Skyler Valdez, Saint Pius X High School, *La Virgen Maria*, natural pigment watercolor
- **North Dakota:** Emily Alt, Beulah High School, *Barefoot Bluejean*, acrylic paint
- **Northern Mariana Islands:** Bradley Santos, Kagman High School, *Free Flowing Waterfalls*, linoleum carving
- **Oklahoma:** Bethany Niles, Fairview High School, *Tradition versus Modern*, Prismacolor colored pencils
- **Oregon:** Salus True, Ashland High School, *Perpetual*, acrylic paint
- **South Dakota:** Mikki Brian, Harrisburg High School, *Golden Sky*, oil paint
- **Texas:** Rachel Bai, Obra D. Tompkins High School, *Steady Steed*, colored pencils
- **Utah:** Amber Healey, Weber High School, *Western Grit*, acrylic paint
- **Washington:** Rebecca Lawrence, Kettle Falls High School, *The Four Horsemen*, oil paints and pen and ink
- **Wyoming:** Holden True Yorgason, Riverton High School, *Grandpa on His Ass*, fused glass



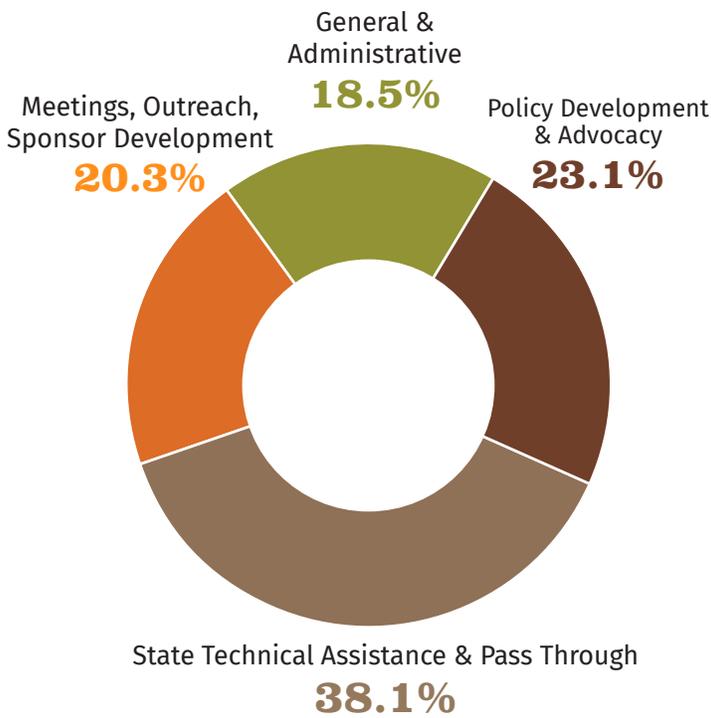


FINANCES

WGA income is derived from Western Governors’ annual dues, sponsor contributions, meeting registration fees, grants, investment income, and other sources. WGA income totaled \$4.4 million for the fiscal year, with approximately 39% of that amount received from federal agencies to provide technical assistance to states and other contractors. The following is excerpted from the audit report of JDS Professional Group, Certified Public Accountants, Consultants and Advisors. The information is for the fiscal year ending June 30, 2017.

Functional Expenses

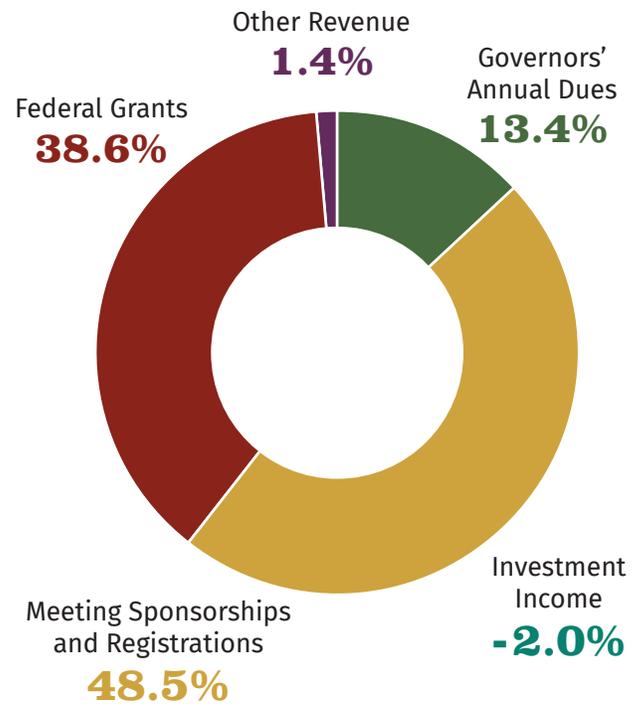
July 1, 2016—June 30, 2017



Policy Development & Advocacy	\$1,010,956
State Technical Assistance & Pass Through	\$1,666,370
Meetings, Outreach, Sponsor Development	\$889,649
General & Administrative	\$807,879
Total	\$4,374,854

Revenues

July 1, 2016—June 30, 2017



Governors' Annual Dues	\$594,000
Meeting Sponsorships and Registrations	\$2,152,688
Federal Grants	\$1,711,711
Investment Income	\$(87,031)
Other Revenue	\$63,145
Total	\$4,434,513

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WGA Chair

Governor David Ige
Hawaii
WGA Vice Chair

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Deborah Kinsley
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Office Manager/
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