



Fiscal Year 2017 Annual Performance Report



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Annual Performance Report 2016

April 2017

Gulf Coast Ecosystem Restoration Council

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Preface

Established by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012, or the RESTORE Act, codified at 33 U.S.C. § 1321 (t), the Gulf Coast Ecosystem Restoration Council (Council) is comprised of five Governors from the Gulf Coast States of Alabama, Florida, Louisiana, Mississippi and Texas (States), the Secretaries from the U.S. Departments of the Interior, Army, Commerce, Agriculture, and Homeland Security, and the Administrator of the U.S. Environmental Protection Agency. The Secretary of Agriculture currently serves as the Council's Chairperson. In cooperation with our restoration partners, the Council is striving to establish a benchmark for collaborative work while facilitating efficient and responsible implementation of large-scale restoration projects across the Gulf. The Council recognizes the unique and unprecedented opportunity we have to implement a restoration effort in a way that restores and protects the Gulf Coast environment, reinvigorates local economies and creates jobs in the region. We are committed to working with Gulf communities and partners to invest in actions, projects, and programs that will ensure the long-term environmental health and economic prosperity of the Gulf Coast region

The Council has oversight over the expenditure of 60% of the funds made available from the Gulf Coast Restoration Trust Fund established by the RESTORE Act (Trust Fund). Under the Council-Selected Restoration Component of the RESTORE Act, 30% of available funding will be administered for Gulf-wide ecosystem restoration and protection according to a Comprehensive Plan developed by the Council. Another 30% will be allocated to the States under the Spill Impact Component according to a formula established by the Council through a regulation, and spent according to individual State Expenditure Plans (SEPs) to contribute to the overall economic and ecological recovery of the Gulf. The SEPs must adhere to four basic criteria and are subject to approval by the Council.

In Fiscal Year 2016 the Council achieved a number of critical milestones in our effort to restore the Gulf. On December 9, 2015, the Council approved an Initial Funded Priorities List (FPL) totaling \$156.6 million, focusing on 10 key watersheds and estuaries, using conservation and restoration techniques tailored to the needs of each specific area. Since then, the Council has initiated funding the projects and programs on the Initial FPL. In addition, the Council formally approved a Spill Impact Component regulation as required by the Act. Funds available under this component will be invested in projects and programs identified in approved State Expenditure Plans (SEPs). The states of Florida, Mississippi and Texas have applied for and received funding to develop SEPs and the states of Louisiana and Mississippi have released draft SEPs for public review and comment.

During the spring of 2016, the Council conducted a "Lessons Learned" review of the development of our Initial Comprehensive Plan and Initial FPL. The Council gained valuable insights from this public review and incorporated much of the feedback in a draft Comprehensive Plan Update. We held meetings across the coast throughout the summer in support of the draft Comprehensive Plan Update which is scheduled to be finalized in December 2016. The update will establish the foundation for future action in 2017 and beyond by emphasizing collaboration and coordination with our restoration partners.

This report is available on the internet at <http://www.restorethegulf.gov>

Introduction

The Gulf Coast region is vital to our Nation and our economy, providing valuable energy resources, abundant seafood, extraordinary beaches and recreational activities, and a rich cultural heritage. Its waters and coasts are home to one of the most diverse environments in the world—including over 15,000 species of sea life. More than 22 million Americans live in Gulf coastal counties and parishes, working in crucial U.S. industries like commercial seafood, recreational fishing, tourism, and oil and gas production. The region also boasts of a significant shipping industry with 10 of America's 15 largest ports accounting for nearly a trillion dollars in trade each year.

Despite the tremendous economic, social and ecological importance of the Gulf Coast region, the health of the region's ecosystem has been significantly impacted, most recently by the *Deepwater Horizon* oil spill, as well as by chronic and acute harm caused by other past and ongoing human actions. Restoring an area as large and complex as the Gulf Coast region is a costly and multi-generational undertaking. Over the past several decades, the Gulf Coast region has experienced loss of critical wetlands, erosion of barrier islands, imperiled fisheries, water quality degradation leading to, among many other impacts, one of the world's largest hypoxic zones every year, alteration of hydrology, and other cumulative environmental impacts (e.g., an area the size of a football field are lost every hour in coastal Louisiana). While hurricanes (such as Katrina, Rita, Gustav and Ike), subsidence and other natural forces are also key factors in land loss, this may be exacerbated by human actions which have greatly reduced ecosystem resilience and thus made coastal wetlands more vulnerable to these natural stressors.

The cumulative impacts of chronic (e.g., water quality, sea level rise) and acute (e.g., hurricanes and floods) stressors to the Gulf ecosystems have resulted in increased storm risk, land and habitat loss, depletion of natural resources, altered hydrology and compromised water quality and quantity, which are imperiling coastal communities' natural defenses and ability to respond to natural and man-made disruptions. These problems not only endanger the natural systems but also the economic vitality of the

In addition, the Gulf of Mexico experienced extensive and severe water quality and habitat impacts resulting from the *Deepwater Horizon* oil spill including excess nutrients, altered sediment resources, pathogens, mercury, remaining *Deepwater Horizon* oil and other pollutants. Five years after the spill, living coastal and marine systems still show signs of stress, such as depleted species populations and degraded habitats.

The Council will play a key role in helping to ensure that the Gulf's natural resources are sustainable and available for future generations. Use of the Gulf restoration funds represent a great responsibility. The ongoing involvement of the people who live, work and play in the Gulf region is critical to ensuring that these monies are used wisely and effectively.

The Council was formally established in 2015 as a new, independent Federal Agency with a clear mission to implement a long-term, comprehensive plan for the ecological and economic recovery of the Gulf Coast region. This document represents the Council's first submission of an Annual Performance Plan (APP). In light of this, the Fiscal Year 2016 APP includes a formal "Background" section to provide fundamental information on the Council and its responsibilities. Unlike most federal agencies, the Council does not receive funds through the

annual federal appropriations process (all funds are received through the Trust Fund (Trust Fund)); however the Council does appear in the Appendix to the President's Budget.

The RESTORE Act

Spurred by the *Deepwater Horizon* oil spill, the RESTORE Act was signed into law by President Obama on July 6, 2012. The RESTORE Act envisions a regional approach to restoring the long-term health of the valuable natural ecosystems and economy of the Gulf Coast region. The RESTORE Act dedicates 80 percent of civil and administrative penalties paid under the Clean Water Act, after the date of enactment, by responsible parties in connection with the *Deepwater Horizon* oil spill to the Trust Fund for ecosystem restoration, economic recovery, and tourism promotion in the Gulf Coast region. This effort is in addition to the restoration of natural resources injured by the spill that is being accomplished through a separate Natural Resource Damage Assessment (NRDA) under the Oil Pollution Act. A third and related Gulf restoration effort is being administered by the National Fish and Wildlife Foundation using funds from the settlement of criminal charges against BP and Transocean.

In addition to creating the Gulf Coast Restoration Trust Fund, the RESTORE Act established the Council. The Council is currently chaired by the Secretary of the U.S. Department of Agriculture and includes the Governors of the States of Alabama, Florida, Louisiana, Mississippi and Texas and the Secretaries of the U.S. Departments of Agriculture, Army, Homeland Security and the Interior, and the Administrator of the U.S. Environmental Protection Agency.

One of the Council's primary responsibilities is to develop a Comprehensive Plan to restore the ecosystem and the economy of the Gulf Coast region, and to update the Plan at least every five years. State Expenditure Plans, developed under the Spill Impact Component, are also submitted to the Council for approval in accordance with the RESTORE Act. Pursuant to the RESTORE Act, the Council approved the initial Comprehensive Plan in August 2013, which outlines an overarching framework for an integrated and coordinated approach for region-wide Gulf Coast restoration.

The Gulf Coast Restoration Trust Fund

The RESTORE Act directs the Council to use the best available science and give highest priority to ecosystem projects and programs that meet one or more of the following four Priority Criteria. The Council will use these criteria to evaluate proposals and select the best projects and programs to achieve comprehensive ecosystem restoration.

- Projects that are projected to make the greatest contribution to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region, without regard to geographic location within the Gulf Coast region.
- Large-scale projects and programs that are projected to substantially contribute to restoring and protecting the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast ecosystem.
- Projects contained in existing Gulf Coast State comprehensive plans for the restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region.

- Projects that restore long-term resiliency of the natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands most impacted by the *Deepwater Horizon* oil spill.

The funds supporting the Council's efforts are defined by the RESTORE Act, which divides funds made available from the Trust Fund into five components, colloquially referred to as "buckets," and sets parameters for how these funds will be spent.

The Council is directly responsible for two of the five components, as follows:

- *Council-Selected Restoration Component*: 30 percent of the funds (plus 50 percent of interest earned) will be administered for ecosystem restoration and protection according to the Comprehensive Plan developed by the Council. The Council approved and published an Initial Comprehensive Plan in August 2013.
- *Spill Impact Component*: 30 percent of the funds are dedicated to the States based on a formula set forth in the RESTORE Act and established by the Council through a regulation. This allocation formula is based on a weighted allocation of the number of miles of shoreline of each State that experienced oiling as a result of the *Deepwater Horizon* oil spill; the inverse proportion of distance from *Deepwater Horizon* drilling rig to the middle of oiled shoreline in each State; and the average coastal county population in each State as of the 2010 Census. Each State will be required to have a State Expenditure Plan (SEP) in place for the use of these funds. The SEPs must be consistent with the Goals and Objectives of the Comprehensive Plan and are subject to Council approval in accordance with criteria set forth in the RESTORE Act. More information regarding SEP guidelines can be found on the RESTORE Council website (<https://www.restorethegulf.gov/our-work/spill-impact-component>).

On January 3, 2013, the United States announced that Transocean Deepwater Inc. and related entities had agreed to pay \$1 billion (plus interest) in civil penalties for violating the Clean Water Act in relation to their conduct in the *Deepwater Horizon* oil spill. In accordance with the consent decree, Transocean has paid all three of its installments of civil penalties plus interest to the U.S. Department of Justice. The U.S. Department of Justice has transferred 80 percent of these funds to Treasury for deposit into the Gulf Coast Restoration Trust Fund, totaling \$816 million. On November 20, 2015 the federal court for the Eastern District Court of Louisiana ordered Anadarko Petroleum Corp. to pay a \$159.5 million civil fine; of this amount, \$128 million, including interest, has been deposited in the Trust Fund. Anadarko was the last defendant in the *Deepwater Horizon* spill Clean Water Act litigation.

On April 4, 2016, a federal court in New Orleans entered a consent decree resolving civil claims against BP arising from the *Deepwater Horizon* oil spill. The resolution of civil claim totals for entities held responsible for the *Deepwater Horizon* oil spill will yield more than \$20 billion, the largest civil penalties ever awarded under any environmental statute, and the largest recovery of damages for injuries to natural resources of The United States. Of these penalties, the RESTORE Act will provide \$5.33 billion (80 percent of \$6.659 billion) to the Trust Fund, based on the following: \$1 billion (plus interest) in civil penalties from Transocean Deepwater Inc. and related entities for violating the Clean Water Act in relation to their conduct in the *Deepwater Horizon* oil spill; \$159.5 million from a civil fine paid by Anadarko Petroleum Corporation; and

\$5.5 billion (plus interest) from BP Exploration and Production, Inc. (BP) for a Clean Water Act civil penalty under the April 4, 2016 consent decree, payable over a fifteen-year period.

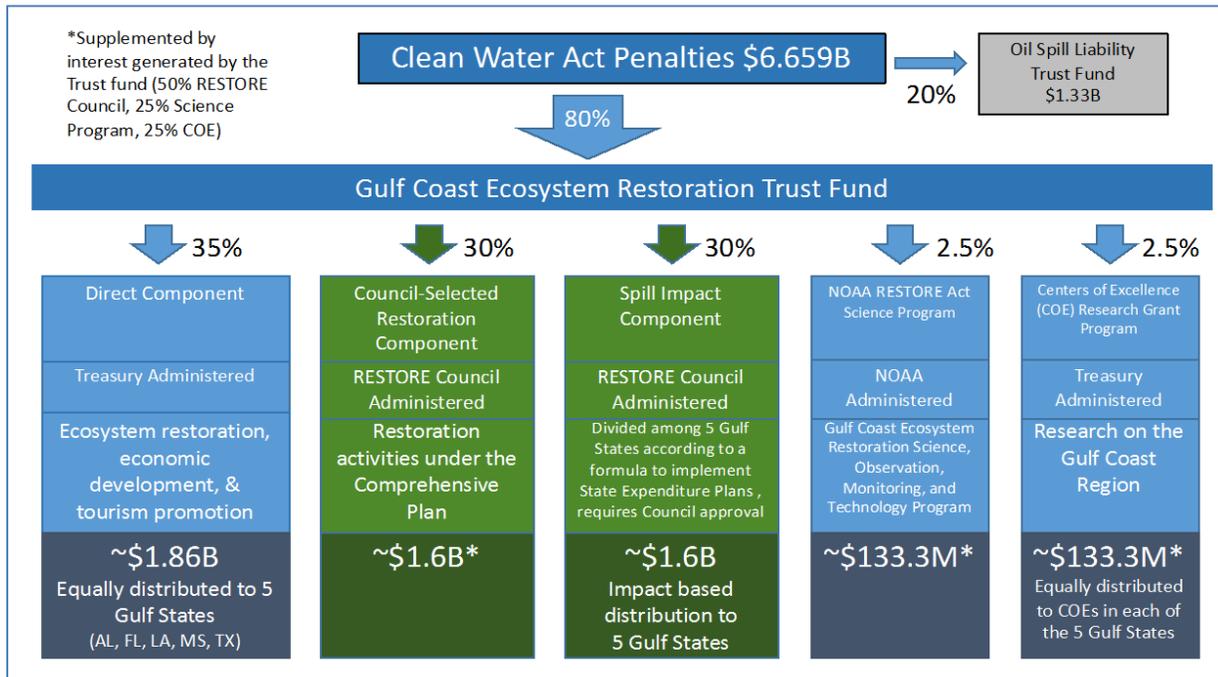


Figure 1. Allocation of the Gulf Coast Restoration Trust Fund based on settlements with BP, Transocean and Anadarko; RESTORE Council oversight components are highlighted in green.

Strategic Goals

One of the Council's primary responsibilities was to develop an Initial Comprehensive Plan to restore the ecosystem and economy of the Gulf Coast region. The Council approved and published an Initial Comprehensive Plan (Plan) in August 2013 that outlines overarching goals for restoring and protecting the natural resources of the Gulf

(<https://www.restorethegulf.gov/sites/default/files/Final%20Initial%20Comprehensive%20Plan.pdf>).

To develop the Plan, the Council carefully reviewed the findings and recommendations of the *Gulf Coast Ecosystem Restoration Task Force Strategy (Strategy)*. The Council also reviewed numerous existing local, regional, state and federal plans to inform the development of the Plan. The Council initiated a robust public engagement process to receive input from diverse voices from across the region. The Council hosted fourteen public meetings with over 2,300 attendees; over 41,000 public comments on the Draft Initial Comprehensive Plan and accompanying Programmatic Environmental Assessment were received. These comments were considered and incorporated, as appropriate, into the Initial Comprehensive Plan.

Building on the strong foundation established in the *Strategy* and other local, regional, state and federal plans, the Council is moving forward with an integrated and coordinated approach to Gulf Coast restoration. This approach strives to both restore the Gulf Coast region's environment and, at the same time, revitalize the region's economy because the Council recognizes that ecosystem restoration investments may also improve economic prosperity and quality of life. In addition, this approach acknowledges that coordinated action with other partners is important to successfully restore and sustain the health of the Gulf Coast region. This coordination is particularly important because diverse funding sources and decision-making bodies are simultaneously investing in Gulf Coast restoration.

To provide the overarching framework for an integrated and coordinated approach for region-wide Gulf Coast restoration and help guide the collective actions at the local, state, tribal and federal levels, the Council has adopted five Strategic Goals as follows:

- **Strategic Goal 1:** Restore and Conserve Habitat – Restore and conserve the health, diversity, and resilience of key coastal, estuarine, and marine habitats;
- **Strategic Goal 2:** Restore Water Quality – Restore and protect water quality of the Gulf Coast region's fresh, estuarine, and marine waters;
- **Strategic Goal 3:** Replenish and Protect Living Coastal and Marine Resources – Restore and protect healthy, diverse, and sustainable living coastal and marine resources;
- **Strategic Goal 4:** Enhance Community Resilience – Build upon and sustain communities with capacity to adapt to short- and long-term changes;
- **Strategic Goal 5:** Restore and Revitalize the Gulf Economy – Enhance the sustainability and resiliency of

the Gulf economy. The fifth goal focuses on reviving and supporting a sustainable Gulf economy to ensure that those expenditures by the Gulf Coast States authorized in the RESTORE Act under the Direct Component (administered by the Department of the Treasury) and the Spill Impact Component can be considered in the context of comprehensive restoration.

To achieve all five goals, the Council will support ecosystem restoration that can enhance local communities by giving people desirable places to live, work, and play, while creating opportunities for new and existing businesses of all sizes, especially those dependent on natural resources. In addition, the Council will support ecosystem restoration that builds local workforce capacity.

Strategic Objectives

The Council will select and fund projects and programs that restore and protect the natural resources, ecosystems, water quality, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region. Projects and programs not within the scope of these Strategic Objectives for ecosystem restoration will not be funded under the Council-Selected Restoration Component. The Strategic Objectives are not listed in any particular order, and the Council does not anticipate that restoration efforts funded under the Council-Selected Restoration Component will be equally distributed among these objectives. Further, restoration projects and programs are likely to achieve multiple objectives simultaneously.

- **Strategic Objective 1:** Restore, Enhance, and Protect Habitats – Restore, enhance, and protect the extent, functionality, resiliency, and sustainability of coastal, freshwater, estuarine, wildlife, and marine habitats. These include barrier islands, beaches, dunes, coastal wetlands, coastal forests, pine savannahs, coastal prairies, submerged aquatic vegetation, oyster reefs, and shallow and deep water corals.
- **Strategic Objective 2:** Restore, Improve, and Protect Water Resources – Restore, improve, and protect the Gulf Coast region’s fresh, estuarine, and marine water resources by reducing or treating nutrient and pollutant loading; and improving the management of freshwater flows, discharges to and withdrawals from critical systems.
- **Strategic Objective 3:** Protect and Restore Living Coastal and Marine Resources – Restore and protect healthy, diverse, and sustainable living coastal and marine resources including finfish, shellfish, birds, mammals, reptiles, coral, and deep benthic communities.
- **Strategic Objective 4:** Restore and Enhance Natural Processes and Shorelines – Restore and enhance ecosystem resilience, sustainability, and natural defenses through the restoration of natural coastal, estuarine, and riverine processes, and/or the restoration of natural shorelines
- **Strategic Objective 5:** Promote Community Resilience – Build and sustain Gulf Coast communities’ capacity to adapt to short- and long-term natural and man-made hazards, particularly increased flood

risks associated with sea-level rise and environmental stressors. Promote ecosystem restoration that enhances community resilience through the re-establishment of non-structural, natural buffers against storms and flooding

- **Strategic Objective 6:** Promote Natural Resource Stewardship and Environmental Education – Promote and enhance natural resource stewardship efforts that include formal and informal educational opportunities, professional development and training, communication, and actions for all ages
- **Strategic Objective 7:** Objective Improve Science-Based Decision-Making Processes – Improve science-based decision-making processes used by the Council.
- **Management Focused Strategic Objective:** Organizational Excellence – Council staff will provide exceptional service to Council members, partner state and federal agencies, and public, private, and other stakeholders to support the Council’s efforts to achieve integrated and coordinated efforts for region-wide Gulf Coast restoration.

Performance Metrics for Individual Council-Funded Programs and Projects

The Council has currently identified 53 performance-level metrics for grants to states and Interagency Agreements (IAA) with the federal members funded through the Council-Funded Component (“Bucket 2”), and for grants funded under the Spill Impact Component (“Bucket 3”) of the RESTORE Act. These metrics will be used to monitor and evaluate the efficacy of projects and programs in meeting mission goals and objectives of the Council and track annual performance. For each of the performance metrics, the associated Strategic Objective supported by that metric is provided, along with the supporting activity/outcomes), metric description, and the overarching concomitant approach to support ecosystem restoration.

- **Habitat Conservation:** Activities, projects and/or programs that protect critical freshwater, estuarine and near-shore coastal habitats that are fully functional (i.e., remain unaffected by storms, oil spill, or other man-made or natural disruptions)(e.g., land acquisition; conservation easements);
- **Habitat Restoration:** Activities, projects, and/or programs that rebuild the critical habitats that have been lost through either man-made or natural impacts (e.g., living shorelines, beneficial use);
- **Habitat Management:** Activities, projects and/or programs which focus on long-term sustainability using a variety of techniques intended to increase tidal exchange, freshwater availability, and water quality all needed to improve habitat function and longevity (e.g., restoration of freshwater flow by removal of blockages);
- **Capacity, Outreach, Incentives:** Activities, projects and/or programs which provide educational and engagement opportunities for stakeholders that live, work or recreate in the Gulf of Mexico region to enable a better understanding of the Council member’s ecosystem restoration efforts;

- **Planning, Research, Monitoring:** Activities, projects and/ or programs which are forward-looking to investigate the feasibility and best practices for an ecosystem restoration effort (e.g., planning and/or research to determine the efficacy for a sediment diversion), or setting up monitoring protocols to ensure accuracy to support data sharing and adaptive management;
- **Economic Benefits:** Activities, projects and/or programs which are designed to determine the financial or other economic indicators of the value of ecosystem restoration efforts to local, city, county, state and national stakeholders.

Performance Goals and Indicators: Results for Fiscal Year 2016

The Council's 2016 Annual Performance Plan (APP) described the specific actions the Council planned to take during 2016 in furtherance of its long-term effort to restore the Gulf of Mexico ecosystem as laid out by the Council's Comprehensive Plan which serves as its strategic framework.

The resolution of the civil claims against BP which has clarified the amount and timing of funds available to the Council. On April 4, 2016, the federal court in New Orleans entered a consent decree resolving civil claims against BP arising from the *Deepwater Horizon* oil spill. This historic settlement resolves, among other things, the U.S. government's civil and administrative claims under the Clean Water Act, the governments' claims for natural resources damage under the Oil Pollution Act, and also involves a related settlement of economic damage claims of the Gulf States and local governments. Taken together this resolution of civil claims totals more than \$20 billion (see Figure 4) and is the largest civil penalty ever paid by any defendant under any environmental statute, and the largest recovery of damages for injuries to natural resources.

Under the consent decree, over a fifteen-year period, BP will pay a Clean Water Act civil penalty of \$5.5 billion (plus interest), \$8.1 billion in natural resource damages (this includes \$1 billion BP already paid for early restoration), up to an additional \$700 million (some of which is in the form of accrued interest) for adaptive management (including planning activities or to adapt, enhance, supplement, or replace existing restoration projects selected by the Trustees) or to address injuries to natural resources that were unknown to the Trustees as of July 2, 2015, and \$600 million for other claims, including claims under the False Claims Act, royalties, and reimbursement of NRDA costs and other expenses due to this incident.

The Council approved an Initial Comprehensive Plan in August 2013, which set forth goals and objectives for advancing comprehensive Gulf restoration. There have been important developments that warrant an update of the Council's Comprehensive Plan. Specifically, the resolution of civil claims against BP has provided clarity regarding the amount and timing of funds available to the Council enabling the development of a Ten-Year Funding Strategy, as required by the RESTORE Act.

Promote a Gulf-wide Comprehensive Approach to Restoration

Performance Indicator 1: Finalize the Initial FPL / Council selected projects by the end of the calendar year 2016 while ensuring that the projects selected comprise a holistic approach to ecosystem-wide restoration by recognizing the interconnected nature of coastal and marine ecosystems.

On December 9, 2015, the Council voted to approve the Initial FPL. The Initial FPL is organized around ten key watersheds/estuaries across the Gulf to concentrate and leverage available funds to address critical ecosystem needs in high priority locations (Figure 2). The Council identified activities for the Initial FPL that would either complement each other or have synergistic effects with other restoration projects. Taking a holistic approach to restoration recognizes the interconnected nature of coastal and marine ecosystems, a fundamental organizational principle of watersheds/estuaries, and the importance of addressing system-wide stressors that reduce ecosystem integrity. The Council's selections for the Initial FPL were therefore based on a variety of factors, including the need to respond to widely-recognized ecological stressors, foundational investment needs, substantial public input, support for certain high-value areas, and socioeconomic and cultural considerations. Moving forward, the Council will work to use this holistic approach in order to maximize project benefits and track outcomes.

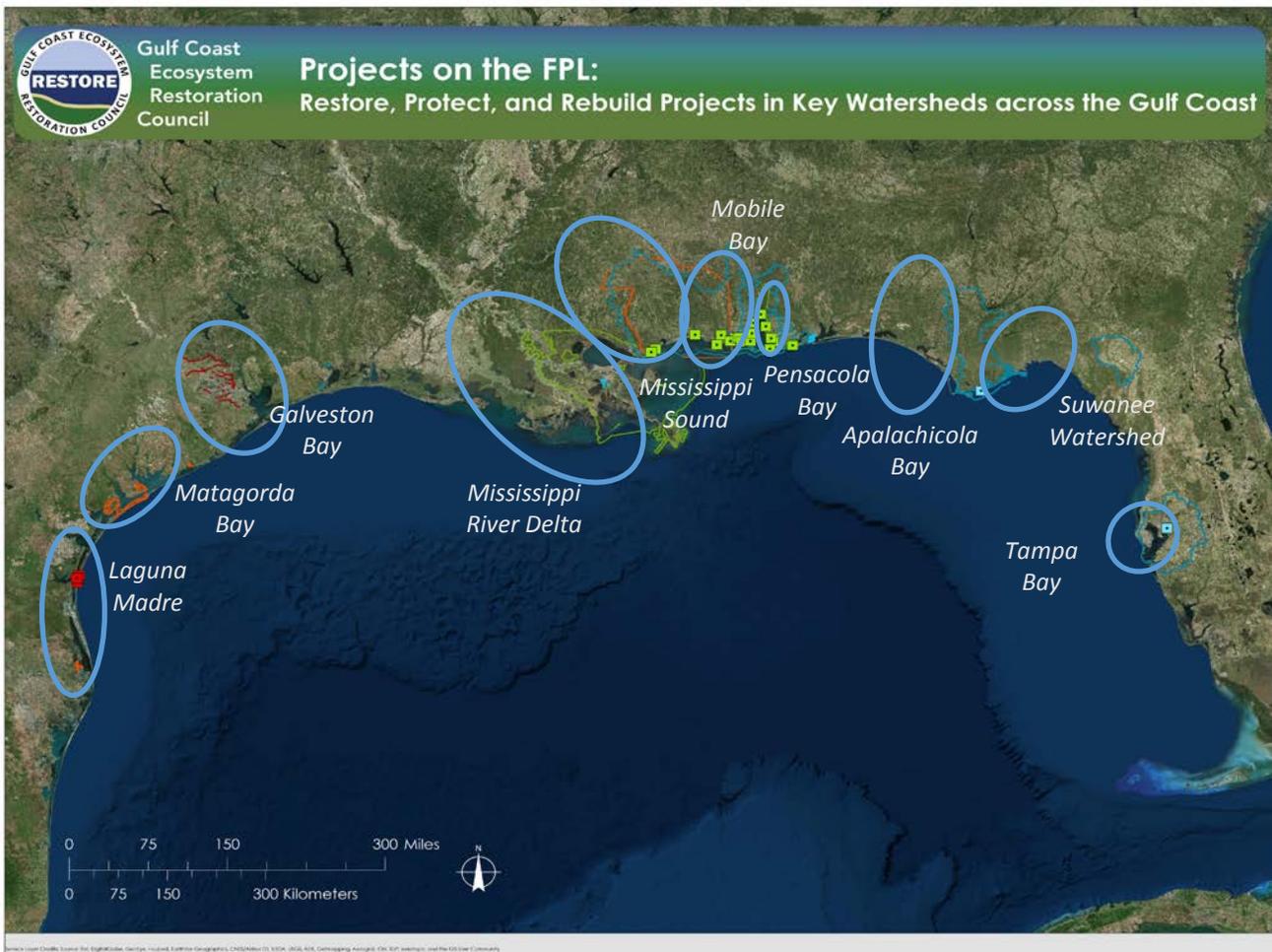


Figure 2. Ten key watershed/estuaries identified in the Initial Funded Priorities List.

Performance Indicator 2: Promote leveraging in proposals submitted for submission in the FPL to maximize the Council's "return on investment." The Council will consider the extent to which projects build upon earlier, related or associated efforts in its evaluation of projects.

The Initial FPL will provide substantial leveraging and near-term ecological benefits and will help set the stage for future success with large-scale, comprehensive Gulf restoration. This Initial FPL will:

- **Restore and Conserve Habitat** by focusing on projects that restore and enhance the health, diversity, and resilience of key marsh habitat and other coastal, estuarine, and marine habitats;
- **Restore** over 200,000 acres of valuable forest and wetland habitat through hydrologic restoration activities, for example by backfilling 16.5 miles of abandoned oil and gas canals;
- **Conserve** approximately 18,485 acres of high value coastal habitat;
- **Protect** existing coastal ecosystems by plugging 11 abandoned oil and gas wells;
- **Improve** water quality by working with private land owners to eliminate the use of approximately 16,000 pounds of fertilizer annually up to 15 years, and by funding activities that will result in water pollutant load reductions of approximately 60,000 pounds annually;
- **Advance** comprehensive restoration by funding a range of water quality and/or habitat restoration planning efforts in 10 key watersheds and estuaries;
- **Support** local communities through workforce development and skills training in restoration related industries; and
- **Invest** in Gulf-wide science, coordination, and planning programs.

Activities in this Initial FPL will be conducted in cooperation with other ecosystem restoration and science initiatives occurring in the Gulf, including the ongoing *Deepwater Horizon* Natural Resource Damage Assessment (NRDA) and the National Fish and Wildlife Foundation (NFWF) Gulf Environmental Benefit Fund (GEBF).

Performance Indicator 3: Promote gulf-wide restoration efforts rather than random acts of restoration. The Council will consider the extent to which projects will substantially improve the restoration or conservation of key watersheds without regard to political boundaries, or that provide foundational support for future efforts towards gulf-wide restoration.

The Council determined that a watershed/estuary approach would be an effective tool for guiding the selection of projects and programs in a way that advances comprehensive restoration. By identifying and focusing on watersheds, the Council was able to make difficult funding decisions in a way that leverages limited restoration resources for maximum effectiveness, while also supporting planning, science and other activities that can set the stage for future success. All activities in the draft FPL came from the original member submissions. In some cases the activities are a component or smaller increment of an original submission. Many stakeholders cautioned the Council against distributing the available funds in a way that supports disconnected (although beneficial) restoration projects; the Council was asked not to engage in "random acts of restoration." The Council shares that perspective and believes that focusing on key watersheds and other foundational activities will ensure that the funds are spent in a way that contributes to comprehensive Gulf restoration

Performance Indicator 4: Develop a 10-Year Funding Strategy that will provide a description of the manner in which amounts from the Trust Fund will be made available to implement the Update to the Comprehensive Plan.

The RESTORE Act requires the Council to provide a description of the manner in which amounts projected to be made available to the Council from the Trust Fund will be allocated for the succeeding ten years. As a result of the litigation with BP and other responsible parties in 2013, the Council did not include a Ten-Year Funding strategy in the Initial Plan due to the uncertainty over of the amounts and timing of funds that might be made available. With the final amount and timing of these funds now settled, the Council is in a position to provide an initial Ten-Year Funding Strategy in this Comprehensive Plan update.

The Council is on schedule to approve a Comprehensive Plan Update in December 2016 which will include a Ten-Year Funding Strategy comprised of a vision statement, a discussion of the frequency of future FPLs, and enhancements to the Council's commitments from the Initial Plan, toward:

- Ensuring compliance with the RESTORE Act;
- Providing finer granularity regarding how the Council will address the goals and objectives over the next ten years;
- Providing increased certainty, predictability, and guidance for project and program planning;
- Maintaining flexibility to adapt to new information such as environmental changes, scientific advances, and feedback on the effectiveness of past and ongoing on-the-ground restoration actions; and
- Building on lessons learned in the development of the Initial FPL.

Council-Selected Restoration Performance Excellence: Effective and efficient implementation and administration of the Council-Selected Restoration Program to achieve the goals of the Act

The RESTORE Act requires creation of a funded priorities list (FPL) that includes the projects and programs the Council intends to fund through the Council-Selected Restoration Component. The Council completed its Initial FPL during the first quarter of Fiscal Year 2016 (<https://www.restorethegulf.gov/council-selected-restoration-component/funded-priorities-list>) using a process that emphasized public input, transparency, coordination with other restoration programs, and rigorous science review.

Performance Indicator 1: Conduct a '360' review of Lessons Learned from Initial Comprehensive Plan and Initial FPL. Conduct a review of the process the Council adopted to solicit, review and select projects for inclusion in the FPL to evaluate the process to yield important insights regarding what should be replicated moving forward and what could be improved or replaced. It will also be useful in identifying key updates to the Comprehensive Plan that the Council can undertake prior to the next proposal submission window.

As a first step in updating the Comprehensive Plan, the Council used a reviewed the process it used to develop the Initial FPL. The goal of this '360' review process was to determine what aspects of the process worked best and to see where improvements might be needed to enhance the efficiency and effectiveness of future FPLs. The Council conducted a retrospective review of the Initial FPL process in the spring of 2016.

As part of this process, the Council also hosted a series of webinars to solicit feedback from the public. A total of 229 stakeholders attended the three webinars. During the webinars, the Council solicited feedback through

polling and written comments. On May 10, 2016, four Federally-recognized Tribes provided feedback during a Tribal Engagement Meeting in New Orleans.

The input garnered from the webinars was captured and published on the Council website in the *Lessons Learned and Path Forward Summary Report*

(https://www.restorethegulf.gov/sites/default/files/Outreach_Lessons%20Learned%20and%20Path%20Forward%20Webinar%20Report.pdf)

Performance Indicator 2: Advance efficiency of the Environmental Compliance processes for evaluating the efficacy of moving Category 2 projects under the Initial FPL to Category 1. Evaluate and propose effective processes for the determination of environmental compliance of Category 2 projects for funding consideration by the Council.

The Initial FPL is comprised of two separate categories of activities. The purpose of these categories is to clearly distinguish between those Initial FPL activities that the Council is currently approving and funding (Category 1 activities) and those that are Council priorities for further review and potential future funding (Category 2 activities). The Initial FPL identified \$156.6 million in Category 1 restoration activities such as hydrologic restoration, land conservation, and planning for large-scale restoration projects. For the possible implementation of activities in the future, the Council is reserving approximately \$26.6 million for Category 2 activities.

The Initial FPL does not represent a precedent for future FPLs. However, the Council does anticipate that now that the full amount of funds ultimately available under the RESTORE Act is certain, that future FPLs will include significantly larger projects and project lists that reflect the amount available to be spent for restoration activities. The types of activities included in future FPLs may differ from the Initial FPL which was based on available funding at the time the Council approved the final list of projects and programs, reflecting priorities relevant at that stage in the Council's planning and restoration efforts.

During 2016, the Council utilized this process for an Apalachicola Bay oyster restoration project in the State of Florida which included planning activities in Category 1 and implementation activities for the project in Category 2 of the Initial FPL. On August 24, 2016, the Council amended its Initial FPL to approve implementation funding for the Apalachicola Bay Oyster Restoration project in Florida. The Council approved \$3,978,000 in implementation funding for this project. The Council also approved reallocating \$702,000 from project planning to project implementation, after any remaining planning expenses have been met. The total amount available for implementation of the Project is therefore \$4,680,000. These funds will be used to restore approximately 251 acres of oyster beds, which is an increase from the 219 acres originally proposed in the Initial FPL.

To comply with the National Environmental Policy Act (NEPA), the Council has adopted an existing Army Corps of Engineers Environmental Assessment (EA) that addresses the activities in the project. In so doing, the Council is expediting project implementation, reducing planning costs and increasing the ecological benefits of this project by using the savings in planning funds to expand the impact of the project.

Performance Indicator 3: Develop Data Observational and Management Interim Guidance. Develop guidance that addresses the data-related plans required for each project and/or program funded under the Council-Selected Restoration and Spill Impact Components, to include an Observational Data Plan for all data collected or compiled as part of the project; and a Data Management Plan (DMP).

Data Management Plans (DMPs) and Observational Data Plans (ODPs-i.e., monitoring plans) are necessary for RESTORE Council funded projects to facilitate the Council's compliance with the following federal laws and policies: GPRA Modernization Act (P.L. 111-352), OMB guidance (2 C.F.R. § 200.328), the requirements of the RESTORE Act (Section 1603(t)(2)(C)(vii)(VII)(dd)), OMB Memorandum "Open Data Policy - Managing Information as an Asset" (9 May 2013), and Digital Accountability and Transparency Act (S.994; i.e. Data Act of 2014).

All Council-funded grant and IAA submissions are required to submit completed ODPs and DMPs as part of the application process. Interim guidance was developed in Fiscal Year 2016. Training on ODP and DMP preparation was developed and given in geographic locations around the Gulf States. The training is posted on the Council website for convenient referral by Council members (see <https://www.restorethegulf.gov/gcerc-grants-office/council-grants-training>).

Performance Indicator 4: Programmatic and Compliance Review of Grant and Interagency Agreements. The programmatic component of the Council staff will review all grant and Interagency Agreement applications for funding under the Initial FPL meeting timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability. This will include review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations. The review will ensure compliance with all administrative and regulatory requirements under the RESTORE Act, 2 C.F.R. Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other federal regulatory requirements.

On December 31, 2015, guidance was published in the *Federal Register* (<https://www.federalregister.gov/articles/2015/12/31/2015-32924/request-for-applications-for-funding-for-the-12092015-funded-priorities-list>) for members of the Council to apply for funding under the RESTORE Act ([33 U.S.C. 1321](#)(t)(2)) to implement Initial FPL projects and programs approved on December 9, 2015. The submission process is composed of two phases: (1) The submission of proposals to the Council for inclusion in an FPL (proposal phase which was completed on December 9, 2015 for the Initial FPL), and (2) once a project or program has been approved by the Council for inclusion in an FPL, the submission of a grant or interagency agreement (IAA) application in order to receive funding (application phase).

Spill Impact Performance Excellence: Effective and efficient implementation and administration of the Spill Impact Program to achieve the goals of the Act.

On December 9, 2015, the RESTORE Council voted to approve the formula allocating funds made available from the Gulf Coast Restoration Trust Fund among the Gulf Coast States pursuant to Sec.1603(3) of the RESTORE Act for the Spill Impact Component

(https://www.restorethegulf.gov/sites/default/files/SICR_FINAL_Approved_Dec_9.pdf). The final regulation was published in the *Federal Register* on December 15, 2015 (<https://www.federalregister.gov/agencies/gulf-coast-ecosystem-restoration-council>).

On April 4, 2016, the United States District Court for the Eastern District of Louisiana entered a consent decree among the United States; the states of Alabama, Florida, Louisiana, Mississippi and Texas; and BP Exploration and Production Inc. with respect to the civil penalty and natural resource damages in case number MDL No. 2179. The Council regulation implementing the Spill Impact Component was effective as of April 12, 2016.

Using the formula and information set forth in the Rule, the allocation of Spill Impact Component funds among the five States is:

- Alabama – 20.40 percent
- Florida – 18.36 percent;
- Louisiana – 34.59 percent;
- Mississippi – 19.07 percent; and
- Texas – 7.58 percent.

In August 2014, the Council published an Interim Final Rule in the *Federal Register* for Gulf Coast States and the Florida Gulf Consortium to receive funding for development of SEPs. The Final Rule was published on January 13, 2015 and provides access to up to five percent of the funds available to each state under the Spill Impact Component for SEP development. It is presumed that a planning State Expenditure Plan will take into consideration the Comprehensive Plan and is consistent with the goals and objectives of the Comprehensive Plan (Criterion 3 above) if it describes activities related to drafting a full State Expenditure Plan. Planning State Expenditure Plans and SEPs (once approved) can be found at: <https://www.restorethegulf.gov/spill-impact-component>. The states of Florida, Mississippi and Texas have receiving funding under the planning SEP provision.

Performance Indicator 1: Timely review (e.g., 60-day review for SEPs) of State Expenditure Plans while ensuring public comment was duly considered and other Council Member input is addressed.

The Council will review each SEP to ensure that it is consistent with Goals and Objectives set forth in the Comprehensive Plan and that all applicable requirements are met. The States will make SEPs available to the public and Tribes for a period of 45 days. Once submitted by the States, the Council will approve or disapprove an SEP within 60 days. If an SEP does not meet the applicable requirements, the Council will work with the State to address any outstanding issues.

On March 17, 2016, the Council updated the SEP Guidelines to further describe the required elements of an SEP, the process for submitting an SEP, and the standards by which the Council Chair will evaluate the SEP. The Guidelines also describe the requirements for a Planning SEP authorized by the RESTORE Act Spill Impact Component Planning Allocation Final Rule (80 FR 1584).

(https://www.restorethegulf.gov/sites/default/files/SEP-Guidelines_Approved-20160317.pdf).

On November 16, 2016, the Council's Steering Committee clarified Section 6.1 of the SEP Guidelines with respect to economic projects under the Spill Impact Component. The approved revised language states: "**Criterion 3: Takes into consideration the Comprehensive Plan and is consistent with the goals and objectives of the Comprehensive Plan:** The Council staff will determine whether the State Expenditure Plan as a whole is consistent with the goals and objectives of the Comprehensive Plan. The Council staff will evaluate whether

each project contained in the State Expenditure Plan will further one or more of the five goals set forth in Section 4.1.2 and that no project is incompatible with any of the seven objectives set forth in Section 4.1.3; and will look to see if the projects will be implemented in a manner that does not have a negative impact, direct or indirect, on the Gulf Coast ecosystem restoration projects and programs selected for implementation by the Council under the Comprehensive Plan. For clarity, the absence of an economic objective in Section 4.1.3 does not preclude Chairperson approval of an SEP containing economic projects that, along with the other projects in the SEP, are compliant with the requirements and criteria of the RESTORE Act and these Guidelines.”

Performance Indicator 2: Programmatic Staff Review of Grant and Interagency Agreements. The programmatic component of the Council staff will review all grant and Interagency Agreement applications for funding under the SEP processes, meeting timelines established by Council Standard Operating Procedures. This will include review of submissions for best available science and environmental compliance with NEPA and other environmental federal regulations.

No SEPs were submitted during Fiscal Year 2016.

Performance Indicator 3: Compliance Staff Review of Grant and Interagency Agreements. The grants and compliance component of the Council staff will review all grant and Interagency Agreement applications for funding under each state’s SEP, meeting timelines established by the RESTORE Act, Council Guidelines and the Notice of Funds Availability. The review will ensure compliance with all administrative and regulatory requirements under the RESTORE Act, 2 C.F.R. Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and other federal regulatory requirements.

No SEPs were submitted during Fiscal Year 2016.

Operational Excellence

The staff of the Gulf Coast Ecosystem Restoration Council will maintain an administrative infrastructure that supports team work, collaboration, synergy between functional areas and overall operational excellence to provide excellent services, programs and outcomes to the Gulf Coast region.

The Council has managed the fiscal resources required to carry out its administrative and operational activities through a strategy of incremental growth to correspond to the development of its Council-Selected Restoration Component and the Spill Impact Component programs. Mindful of the fact that the Council must oversee projects and programs during the post-completion operations and maintenance phase (which in some cases could take as long as twenty years), the Council has forecast its administrative and operational expenses through the projected closeout of all grants.

In 2016, the services provided by Council members diminished as the Council put in place its own personnel and funded its own administrative, financial, and financial assistance activities. The on-board staff increased by 7 members in support of the increasing responsibilities arising from the approval of the Initial FPL, the publication of the Final Rule for the Spill Impact Program, the update to the Comprehensive Plan, and the issuance of the first grants and interagency agreements for projects and programs.

Performance Indicator 1: Effective Oversight of Grant and Interagency Agreement Post-Award Cash Disbursement Processes. Grant and IAA drawdowns will be reviewed for compliance with award terms and conditions, and assessed for consistency with the progress achieved and milestones met.

All grants to state Council members and Interagency Agreements from federal Council members underwent thorough post-award cash disbursement processes for the 10 award completed during this reporting period. All grants and IAAs were reviewed for compliance with all award terms and conditions.

Performance Indicator 2: Development, Inclusion and Monitoring Of Objective and Quantifiable Metrics in Each Grant and IAA. These metrics will gauge the success of the project or program and a description of the methodology for quantifying results for each metric and monitoring the achievement of the metrics. The application will be reviewed to confirm the justification of why the metrics were selected and to assess the proposed scientific monitoring for adequacy, and relevancy to the proposed project or program.

The Council has currently identified 52 performance-level metrics for grants to states and IAAs with the federal members funded through the Council-Funded Component of the RESTORE Act. These metrics (https://www.restorethegulf.gov/sites/default/files/GO-Res_metrics_initial_20170202.pdf) will be used to monitor and evaluate the efficacy of projects and programs in meeting mission goals and objectives of the Council and track annual performance.

Performance Indicator 3: Publication of Applicant/Recipient Guidance Materials. The Council will publish comprehensive guidance to inform potential applicants of the statutory and administrative requirements for proposals, SEPs, grant applications and IAA applications.

The Council published a library of documents (<https://www.restorethegulf.gov/gcerc-grants-office/gcerc-grants-resources>) to assist grant and IAA applicants from the Council membership. This information is divided into the following categories:

- Guidance Materials
 - [Recipient Proposal and Award Guide for Grant Recipients and Federal Interagency Agreement Servicing Agencies](#) [PDF 162pp 1.1Mb]
 - [RAAMS Users' Guide \(link is external\)](#) [PDF 41pp. 1.1Mb]
 - [Uniform Guidance \(2 C.F.R. Part 200\) \(link is external\)](#)
 - [Financial Assistance Standard Terms and Conditions](#) [PDF 55pp 502Kb]
 - [Interagency Agreement Standard Terms and Conditions](#) [PDF 18pp 199Kb]
- Application Documents
 - [RAAMS Application Required Documents List](#) [PDF 3pp. 119Kb]
 - [RAAMS Authorization Letter Template](#) [DOCX 5pp. 136Kb]
 - [RAAMS Data Elements Spreadsheet](#) [XLSX 15Kb]
 - Forms
 - [RESTORE Council Applicant Certifications and Assurances](#) [PDF 8pp. 456Kb]
 - [Disclosure of Lobbying Activities Form \(SF-LLL\)](#) [PDF 2pp. 29Kb]
 - Organizational Self-Assessment
 - [Instructions for the Organizational Self-Assessment](#) [PDF 4pp 258Kb]

- [Organizational Self-Assessment Worksheet](#) [MSWord 12pp 82Kb]
 - [Internal Control Compliance Document List \(Addendum to organizational self-assessment\)](#) [PDF 2pp 78Kb]
 - Project Information Templates
 - [Abstract and Executive Summary Templates](#) [MSWord 1pp 18Kb]
 - [Project Narrative Template](#) [MSWord 4pp 22Kb]
 - Metrics
 - [Initial Project/Program Metrics](#) [PDF 10pp 109Kb]
 - [Metrics Template](#)
 - [Milestones Template](#) [MSWord 1pp 20Kb]
 - Observational Data Plans and Data Management Plans
 - [Observational Data Plan Guidance](#) [PDF 27pp 37Kb]
 - [Observational Data Plan Checklist](#)
 - [Preliminary Observational Data Management Plan Guidance](#) [PDF 12pp 180Kb]
 - Observational Data Management Plan Checklists
 - [Foundational Questions](#)
 - [Data Specific Questions](#)
 - [Observational Data Plan and Data Management Plan Frequently Asked Questions](#) [PDF 3pp 89Kb]
 - [Environmental Compliance Checklist](#) [DOCX 2pp. 7Kb]
 - GIS File Submission
 - [GIS Submission Instructions](#)[PDF 1pp. 86Kb]
 - [GIS Submission Template](#) [ZIP 51Kb]
 - Budget Templates
 - [Budget Narrative Template](#) [MSWord 20pp 69Kb]
 - [Subrecipient Budget Template](#) [XLSX 16Kb]
 - [Instructions for Calculating Allowable Indirect Costs under the three percent \(3%\) cap for administrative costs](#) [PDF 4pp 146Kb]
 - [3% Administrative Cost Spreadsheet](#) [MSExcel 30Kb]
 - [Cash Forecasting Example](#) [MSExcel]
- Award Documentation
 - Interagency Agreements
 - [General Terms and Conditions 7600A](#) [PDF 4pp 180Kb]
 - [Order Requirements and Funding 7600B](#) [PDF 5pp 667Kb]
 - Grants Agreements
 - [Financial Assistance Award 7700](#) [PDF 2pp 111Kb]

Performance Indicator 4: Publication of RAAMS System Guidance and Technical Resources. The Council will publish a RAAMS User Guide and other supporting technical resources.

The Restoration Assistance and Awards Management System (RAAMS) is the Council’s web-based grants

management system. The system has been configured to meet the specific requirements of the statute, and will provide a robust “cradle-to-grave” automated financial assistance (grants) and interagency agreements management system. Completion of the Accreditation and Authorization process was targeted for late November 2015, and was live in early December 2015. In addition to robust pre- and post-award management features, this system will collect a broad array of metrics on a project by project basis, thus enabling the Council to develop quantifiable outcomes for its efforts in Gulf-wide ecosystem restoration (see Performance Metrics for Council-Funded Programs and Projects Section).

The RAAMS system is designed to provide information to meet the Council’s federal reporting and data management requirements, including requirements mandated by the following:

- GPRA Modernization Act (P.L. 111-352)
- OMB guidance (2 C.F.R. §200.328)
- RESTORE Act (33 U.S.C. §1321(t)(2)(C)(vii)(VII)(dd))
- Digital Accountability and Transparency Act (S.994; i.e., Data Act of 2014)
- OMB Memorandum (9 May 2013): *Open Data Policy -Managing Information as an Asset*
- White House (22 February 2013) *Office of Science and Technology Policy Memorandum*.

The system also tracks the following application/award requirements:

- Organizational Assessment
 - One-time requirement; updated annually
 - §200.205 Risk Posed by Applicant; §200.302 Financial Management; §200.303 Internal Controls
- Milestones (see Performance Metrics for Council-Funded Programs and Projects section below) / Functional Budget
 - §200.301 Performance Measurement
- Outcome Metrics
 - §200.301 Performance Measurement; §200.210 Information Contained in a Federal Award
- Cash Forecast
 - Informs Trust Fund investment strategy; OMB outlay forecast

The Council published a library of documents (<https://www.restorethegulf.gov/gcerc-grants-office/gcerc-grants-resources>) to assist grant and IAA applicants from the Council membership. See Performance Indicator 2.1.3.

Performance Indicator 5: Implementation of a Comprehensive Grants Management Program. The Council will develop and complete an internal grant and IAA compliance guide, which will include policies, processes and procedures and ensure adequate internal controls within the grant program.

In December 2015 the Council completed implementation of its Restoration Assistance and Awards Management System (RAAMS), a web-based grants management system based on an existing off-the-shelf system and customized for the Council’s operations. The RAAMS system is configured to meet the specific requirements of the Act and provides a robust “cradle-to-grave” automated system. In addition to robust post-award management features, this system will collect a broad array of metrics on an individual project basis, enabling the Council to develop quantifiable outcomes for its efforts in Gulf-wide ecosystem restoration.

The Council Internal Grant and Compliance Guide is published on the Council's website:

- [Recipient Proposal and Award Guide for Grant Recipients and Federal Interagency Agreement Servicing Agencies](#) [PDF 162pp 1.1Mb]
- [RAAMS Users' Guide \(link is external\)](#)[PDF 41pp. 1.1Mb]

Management Excellence

Council staff will provide exceptional service to the Council members and their accompanying state and federal agencies, as well as to the many stakeholders associated with restoration of the Gulf of Mexico ecosystem by meeting programmatic, administrative and customer service objectives.

Performance Indicator 1: Requisite Reports Submitted in Timely Manner.

During Fiscal Year 2016, the Council submitted the following reports in a timely manner:

- Annual Performance Plan;
- Council's Annual Financial Report (AFR)
- Annual Performance Report (APR)
- Annual Report to Congress

Performance Indicator 2: OIG Audit Findings and Recommendations Addressed in a Timely Manner

Over the course of its three years of existence, the Council has steadily developed its infrastructure and internal control framework. The Council has demonstrated the reliability of its internal controls through the annual audits of its financial statements, all of which received an unqualified ("clean") opinion. The first financial audit identified a material weakness due to the lack of documented internal controls and inadequate segregation of duties due to lack of personnel. The second audit reduced the material weakness to a significant deficiency since additional staff were not on board for the entire year, documentation needed further development, and a risk assessment had not been completed. The Fiscal Year 2017 audit had no material weaknesses or significant deficiencies.

The grant program audit showed that the acquisition and implementation of the Council's grant system and program followed sound management principles, and testing of the system showed compliance with all regulatory requirements. Findings presented in the grant and other audits were minor in nature, and remediation for all findings has been completed or is on schedule.

Performance Indicator 3: All Council operations required by the RESTORE Act are monitored and audited by the Department of Treasure OIG and audit recommendations promptly implemented.

The results of various Treasure OIG audits can be found on the Council's website (www.RestoreTheGulf.gov). In summary, these audits found:

- An independent public accountant, working under OIG supervision, issued an unmodified opinion on the Council's Fiscal Year 2015 and 2016 financial statements, as required by the Chief Financial Officer's Act, as amended by the Accountability of Tax Dollars Act of 2002. The audit found that:

- The financial statements were fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
 - No instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested; and
 - Overall, the audit did not identify any matters involving internal control and its operation that are considered material weaknesses in internal control over financial reporting. No instances of reportable noncompliance with laws, regulations, contracts, and grant agreements tested were identified (OIG-17-015, November 15, 2016).
- An audit of the Council’s programmatic environmental assessment completed in connection with the Initial Comprehensive Plan concluded that our PEA complied with the RESTORE Act and with NEPA although it was noted that as of the date of field work (2013) the Council’s records management system needed improvement.
 - An audit of Council’s Funded Priorities List evaluation criteria and selection processes in connection with activities to be funded under the Council-Selected Restoration Component indicated that these processes complied with the RESTORE Act, Treasury’s RESTORE Act regulations, the Council’s Initial Comprehensive Plan requirements and the Council’s policies and procedures.
 - An audit of the Council’s progress in establishing the organizational infrastructure, operational policies and procedures, and information technology (IT) necessary for carrying out its responsibilities under the RESTORE Act concluded that the Council has made progress implementing the plan but that challenges remain in the areas of IT management and internal control over financial and administrative activities; specifically that IT personnel were not yet on board as required by FISMA and an IT strategic plan completed; and the enterprise risk assessment had not yet been completed. As of this date, an IT staff person has been recruited, the IT Strategic Plan has been drafted, and the enterprise risk assessment has been completed.

During Fiscal Year 2016 the Government Accountability Office (GAO) began a review of agencies for which Congress has granted authority to collect and obligate fees, fines, penalties, and other types of collections without further congressional action.

A total of five entities were selected as case studies for this work, one of which was the Gulf Coast Restoration Trust Fund. The review assessed what is known about the extent to which selected entities with these authorities have and comply with policies and procedures to manage funds and facilitate oversight of their collections and obligations. Results of the GAO audit are complete and can be found at:

<http://www.gao.gov/assets/690/681538.pdf>.

Performance Indicator 4: Organizational Risk Assessed and Risk Management Factors Employed

In July 2016 the Council completed and adopted its first enterprise risk assessment and a suite of written policies and procedures to document its internal controls and its grants, budget, finance, human resources and administrative programs. The assessment, controls and procedures were instituted in order to ensure that the

Council diligently exercises its fiduciary responsibilities with respect to Trust Fund expenditures and other responsibilities under the Act.

The Council complies with the new requirements of OMB Circular A-123 Management's Responsibility for Enterprise Risk Management (ERM) and Internal Controls. The Council recognizes that risk management and internal controls are the responsibility of the Council and its entire staff. The Council has established an ERM governance structure that begins with the Council with specific oversight responsibility assigned to the Audit Committee. The Executive Director is delegated responsibility for implementation and oversight of the ERM program and in turn, has assigned program development and execution responsibilities to the CFO/Director of Administration. The Executive Director has designated the Deputy CFO as the agency Chief Risk Officer who is supported directly by a risk management specialist. Risk management and internal controls are managed by staff within finance, budget, IT and the grants and compliance, although risk and internal controls are integrated into all elements of the organization.

Performance Indicator 4.a: Fully implement the organizational risk assessment recommendations by the end of calendar year 2016.

The Council has completed an Enterprise Risk Assessment, and has developed a risk profile that has identified strategic, operational, compliance, financial and reporting risks, assessed their likelihood and impact, and determined an overall risk rating with a categorization of critical, high, medium and low. The Council has implemented and integrated internal control framework to govern its operations, reporting and compliance and is currently developing its risk mitigation strategies, metrics, performance indicators, monitoring, analytics, communication, and remediation.

Performance Indicator 4.b: Finalize and publish all administrative and financial policies and procedures.

The Council completed its first Enterprise Risk Management (ERM) assessment and documentation of its internal control structure and program policies and procedures. The Council initiated this project to ensure it has the foundational infrastructure and controls in place to exercise its fiduciary responsibilities and properly administer funds received from the Trust Fund.

As expected, the initial risk assessment disclosed several critical risks that must be reduced in the near term, especially in light of pending funding for projects, to bring the Council current and future risk exposure to a more tolerable level. Given the impact that sound ERM has on effective and efficient government operations, and maintaining a credible reputation, the Council will hire additional personnel to effectuate the ERM process, sustain the gains made over its internal control framework, implement Member Technical Assistance (MTA), and to immediately take action to address the most critical risk.

Activities for 2016 and 2017 relate to the results of the Risk Assessment and center on risk mitigation strategies that collectively represent actions considered necessary to reduce the impact and likelihood of risks negatively affecting Council reputation and operations. These recommendations provide specifics on responding to strategic, operational, compliance, and financial and reporting risks. Key recommendations to reduce reputational and operational risk to Council from mismanagement or misuse of funds include:

- Expanding Audit Committee function to include Enterprise Risk Management;

- Creating an Enterprise Risk Management staff function;
- Aligning mission objectives with Council partners to optimize outcomes;
- Developing a contingency plan to meet surge requirements; and
- Acquiring sufficient information technology resources to support operations.

To address these key recommendations, the Council moved forward with the following actions in 2016 and will address remaining recommendations in 2017:

- Discussed results of Risk Audit with Council Steering Committee (July 2016).
- Expanded the Audit Committee function to include Enterprise Risk Management (July 2016).
- Recruited a Deputy Chief Financial Officer – selection made in December 2016.
- Recruited a GS 13 IT Security Officer; selection made in November 2016 and estimated on-board date is expected for January 2017, pending finalization of security clearance.
- Developing the hiring package for a GS 13 enterprise risk management specialist.

The Council also has a rigorous budgetary process. A zero-based budget for operations funding is developed each year, and is rigorously reviewed by the Council Steering Committee. The Council votes for approval of the budget every August, after which an apportionment is submitted to OMB for its review and approval. The Department of the Treasury's Administrative Resources Center (ARC) provides finance and budget services to the Council. Financial Statements, the Status of Funds, and other financial reports are produced by ARC each month, reviewed and approved by the CFO, and reported to Treasury and OMB. The annual financial statements are included in the Annual Financial Report and published on the Council website.