

**JOHN E. THORSON  
FEDERAL WATER MASTER  
LUMMI DECREE  
U.S. DISTRICT COURT (W.D. WASH.)  
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PLAINS, MT 59859  
(406) 826-0500  
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June 18, 2026  
Sent by e-mail

Hon. Thomas S. Zilly  
Senior Judge  
United States District Court  
Western District of Washington  
United States Courthouse  
700 Stewart Street, Suite 15229  
Seattle, WA 98101

Re: Water Master Budget (2026-2027), *United States & Lummi Indian Nation v. Department of Ecology*, No. C01-0047Z

Dear Judge Zilly:

Under section IV(G)(4) of the Lummi Settlement Agreement (Settlement Agreement), the Water Master must confer with the Washington Department of Ecology and the Lummi Nation before June 1<sup>st</sup> of each year on a draft Water Master budget for the next fiscal year. Section IV(G)(4) also indicates that Ecology and the Lummi Nation will adopt a final budget by an agreement entered into by July 1<sup>st</sup>.

This letter summarizes the 2026-2027 budget communications among Mr. Matthew Janz, Office of the Washington Attorney General, who represents the Department of Ecology; Mr. James Stroud, Office of the Reservation Attorney, who represents the Lummi Nation; and John Thorson, Federal Water Master. The attachment sets forth the calculations discussed in this letter.

Last year, as stated in our June 26, 2025, letter to you, we adopted a budget of \$50,000 for the 2025-2026 fiscal year. Earlier, by your order of August 9, 2022 (Docket No. 1569), the Water Master's hourly rate was set at \$250 per hour.

We have completed the required discussions for the upcoming fiscal year; and the Department of Ecology, the Lummi Nation, and the Water Master have agreed on a final Water Master budget of \$50,000 for fiscal year July 1, 2026, to June 30, 2027.

## **Background**

The Water Master's work during the 2025-2026 fiscal year has involved maintaining the accuracy of the service list, efforts to secure payment of the annual "Eligible Landowner Fees," the annual report, and routine matters (including maintenance of the website). There have been no contested hearings during this period.

For the last 10-month period (July 2025 through April 2026), I have billed my time and expenses for a total of \$6921 and an average monthly bill of \$692. Due to the annual report and budget work, May and June (billed in June and July, respectively) are the months with the highest billings.

Based on figures supplied by SueLynn Vasquez, the Financial Specialist for the U.S. District Court Clerk, as of May 31, 2026, we had a balance in the Water Master's account in the Clerk's office of \$296,139. At the conclusion of the fiscal year (June 30), I project the Water Master's account will have a balance of approximately \$296,944 (including June estimated interest).

## **Adjusted Ceiling for Water Master Account**

Section IV(G)(2) provides, "[T]he amount the Lummi Nation and state defendants pay shall be reduced proportionally so that the total amount in the Water Master's account does not exceed Two Hundred Thousand Dollars (\$200,000), *adjusted by the Implicit Price Deflator*" (emphasis added). Thus, the Settlement Agreement contemplates a periodic inflation adjustment to this cap.

The U.S. Bureau of Economic Analysis maintains the Implicit Price Deflator, but Washington State's Economic and Revenue Forecast Council publishes annual reports of several inflation indices for the Seattle area. The Council staff advised me to use Table A4.1, "Selected Inflation Indicators," found this year on p. 96 of the Council's *Washington State Economic and Revenue Forecast* (Feb. 2026) (<https://erfc.wa.gov/sites/default/files/2026-03/feb26pub.pdf>).

According to Council staff, the "Price Deflator" increase over a series of years is calculated by determining the difference between the PCE price index figures for the beginning and ending years and expressing that change as a percentage of increase or decrease over the base year. In our case, the 2006 index is 84.4 and the 2024 index is 123.7 (the actual 2025 index has not been published; the available 2025 and 2026 indices are not used since they are forecasts). The percentage of change 2006-2024 is 46.6%, the figure that will be used for this year's calculations.

Thus, to comply with section IV(G)(2) of the Settlement Agreement, the ceiling on the Water Master's account should be adjusted by 46.6% over the 2006 base year to a target of \$293,200 (as compared to last year's \$292,000 ceiling).

**Amounts to be Paid by Lummi Nation, Eligible Landowners & Dep't of Ecology**

Unlike previous years, the estimated 2025-2026 fiscal year-end balance of \$296,944 is \$3744 more than the adjusted ceiling of \$293,200. The consequence, therefore, is that neither State Water Users nor the Lummi Nation need to pay an assessment for the 2026-2027 fiscal year.

The federal court system pays interest on accounts such as ours. For the period of July 1, 2025, to May 29, 2026, the account earned \$10,326 in interest. During the 2026-2027 fiscal year, approximately \$10,000 in interest is reasonably expected to be added to the Water Master's account.<sup>1</sup> If past years are a guide, this interest income will exceed expenditures during the 2026-2027 fiscal year.

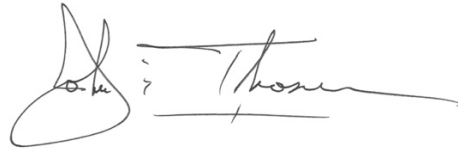
**Conclusion**

Unless you conclude otherwise, you need not take any action on these Water Master budget matters. While the Settlement Agreement does provide that the Court may resolve a budget dispute between the Lummi Nation and the Department of Ecology, we fortunately agree on the budget this year.

The foregoing discussion and our budgetary agreement appear to address all outstanding financial matters. This information will be in the Water Master's annual report, to be filed on June 30, 2025.

Please contact us if you have questions. Thank you for your consideration.

Sincerely,



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John E. Thorson  
376 River Road West  
Plains, MT 59859  
*Federal Water Master, Lummi Decree*

Attachment

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<sup>1</sup> Interest rates on accounts deposited with the Clerk of the Court are determined by the U.S. Treasury. Interest rates on short-term Treasuries are projected to be slightly lower during 2026-2027. See Univ. of Michigan, *U.S. Economic Outlook for 2026-2027* at 3 (May 18, 2026).

cc:

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5		<b>Lummi Decree Assessment Calculations for 2026-27</b>	
6		<b>6/17/26</b>	
7			
8		<b>Master's Ceiling Calculation:</b>	
9		Settlement Basic Fund Requirement	\$ 200,000.00
10		Implicit Price Deflator Adjustment	0.466
11		July 1, 2026 Adjusted Ceiling	\$ 293,200.00
12			
13		<b>Calculation of Total Amount to be Assessed:</b>	
14		Registry Balance as of May 31, 2026	296,139.07
15		Est June Interest	\$ 805.27
16		Est Registry Balance as of June 30, 2026	\$ 296,944.34
17		Master's Ceiling Calculation (Row 11)	\$ 293,200.00
18		Overage	\$ (3,744.34)