Sustainable Finance

for State and Tribal Wetland Programs

Funding for state and tribal wetland programs has always been a time consuming and challenging process. Diversifying the funding base for wetland programs is an essential step in safeguarding the future of wetland conservation and protection. This article is the first in a three-part series focusing on sustainable finance.

By Glenn Barnes

Where does the money come from to fund your wetland program? And how secure is that funding source?

These questions are always appropriate for state and tribal wetland programs, but never more so than today. The current economic situation and resulting budget crunch is putting additional pressure on wetland programs that already may be struggling for adequate funding. This is especially true for state and tribal programs that have only a handful of employees and rely very heavily on one or two funding sources, in particular, Wetland Program Development Grants (WPDGs). If one of those funding sources disappears, the wetland program may have to decrease program activity and, in some cases, even lay off employees.

Furthermore, WPDGs will never adequately fund programs nationally. The great majority of states and territories and many tribes operate wetland programs, but the total appropriation for WPDGs in federal fiscal year 2008 was about $16.8 million. Wetland Program Development Grants also only address program development, not program implementation. Even larger and more established programs that rely on state appropriations are feeling the financial pinch.

States and tribes can mitigate these concerns through strategic, sustainable financial planning. The goals of sustainable finance are for states and tribes to have the money they need to meet program goals as well as the confidence that there will be a relatively steady supply of funds year after year. Fortunately, one need not be a finance analyst to figure out the path to financial sustainability. State and tribal programs need to diversify funding sources and find ways to accomplish more with the dollars they have.

The good news is that many states and tribes have found interesting and innovative ways to finance their programs that can be replicated across the country. This article presents a basic framework for sustainable finance by drawing on these innovative examples. States and tribes should begin by developing program goals and then choose projects that help achieve those goals. Then, states and tribes should seek out appropriate federal grants and augment these federal dollars with funds raised at the state or tribal level. Finally, states and tribes should form partnerships with other units of government, universities, non-profit organizations, and others to share resources.

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Know the Projects You Want to Finance

The first step in any finance plan is to know what you want to pay for. State and tribal programs need to determine what program areas are most appropriate based on their unique environment, staff expertise, and regional priorities. In other words, articulate your program goals. Finance is the means to achieving those goals.

The Environmental Protection Agency (EPA) is currently working on an initiative to enhance state and tribal wetland programs. Part of that initiative involves organizing the work of states and tribes around four core wetland program elements: regulation; monitoring and assessment; restoration and protection; and water quality standards. States and tribes will be setting their program priorities within these four core elements.

These efforts should help states and tribes improve their grantwriting success. Grant officers have often told me that applications centered on established priorities and goals are generally more successful than applications that poorly articulate—or fail to articulate—what the project is trying to accomplish. As a former non-profit development director, I understand the temptation to grab any available funds now and figure out how to use them later, but that is hardly sustainable finance. The best grant applications match the proposed projects very carefully with the intent of the Ready For Proposal, including a specific work plan, timeline, and measurable goals. It is very difficult to have any of those elements in a grant without understanding why the project is important to your overall program goals. And the same is true if you are approaching state and tribal officials for funds or other units of government and beyond for partnership opportunities.

Seek Out All Appropriate Federal Funding

At our wetland program finance trainings around the country this past year, I always ask participants whether they get the majority of their funds from federal sources, state/tribal sources, or an equal mix of both. Typically, at least two-thirds reply federal sources. Federal grants are clearly a major source of revenue for state and tribal programs.

As mentioned before, WPDGs alone will never adequately fund all state and tribal wetland programs nationwide. But WPDGs are just one of dozens of federal grants that can be applied to wetland programs. EPA alone has several other funding programs that can be applied to wetlands: §319 grants, §106 grants, and the Clean Water and Drinking Water State Revolving Funds. Tribes can also receive funds in exchange for assuming some federal environmental responsibility through DITCA, Direct Implementation Tribal Cooperative Agreements. Funding is also available from such diverse sources as the U.S. Fish and Wildlife Service, the National Oceanic and Atmospheric Administration, and the U.S. Department of Defense. Tribes can also apply for funding directly from several U.S. Department of Agriculture grant programs.

These funds are all available to state and tribal wetland programs nationally. There are two other types of federal grants available for state and tribal programs. The first type is grants that are focused on a particular region of the country. The geographic areas covered by these grants could be large, such as the Great Lakes or Chesapeake Bay, or small, such as the Yakima River Basin. Many of these region-specific grants are part of the National Fish and Wildlife Foundation's Special Grants program. The second type is grants do not come directly to wetland programs but can be spent on wetland work. State and tribal wetland programs can partner with the recipient agencies to help direct how the funds are spent. For example, state highway departments can spend SAFETEA-LU (Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users) money from the U.S. Department of Transportation on any wetlands permitting needed for highway projects. Both North Carolina and Indiana use SAFETEA-LU funds this way. Another example is Base Relocation and Closing funds, which were used at Hamilton Airfield Base in California to restore wetlands after its 1994 closure.

To help programs navigate the federal funding universe, the University of North Carolina's Environmental Finance Center and EPA Headquarters have collaborated on the *Federal Finance Compendium for State and Tribal Wetland programs*, available on the sustainable finance project website (see Resources).

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Combine Federal Money with Funds Generated at the State or Tribal Level

Federal funds will always be an important part of sustainable finance, but wetland programs also have opportunities to raise funds on the state or tribal level. These funds should be more stable than federal grants year after year because they come from sources that can be better anticipated.

Unfortunately, tribes do not have nearly as many options for raising these funds as do states. Tribes do not have taxing authority, and only a handful have large income streams such as casino revenue. Nevertheless, some tribes have found creative finance tools to raise money. For example, the Torres-Martinez tribe in California has been working to restore 10,000 acres of wetlands on their tribal land around the Salton Sea. In addition to grants from the federal government, California, and private foundations, the tribe has also solicited contributions from individual donors for a "Friends of the Desert" program. Ultimately, the Torres-Martinez tribe hopes to turn their restored wetlands into an eco-tourism destination—"California's Everglades"—generating more revenue for the tribe.

State-generated wetland program revenues come from three primary sources: taxes; debt; and fees. The most basic funding source is state appropriations. For example, 75 percent of Vermont's wetland program budget comes directly from the legislature. General fund appropriations are thought of as stable because of the way most governments prepare budgets—tax revenues are fairly predictable year after year, and most governments base their new budget amounts on the previous year's appropriation. The current economic situation, though, has caused most states to make across-the-board budget cuts, and some states are also cutting entire programs from budgets, which makes this funding

Photo courtesy of Shawn Gunderson

The Torres-Martinez tribe is restoring wetlands near the Salton Sea in California to create "California's Everglades," which is part of a broader effort by the tribe to attract tourism revenue to sustain the undertaking for the longterm.

source a bit less reliable than it has been in recent years.

In some states, certain taxes and other revenues are put into funds specifically designated for conserving wetlands and other environmentally sensitive areas. Florida and Tennessee both set aside a portion of their state-wide property transfer tax for conservation lands. Missouri and Minnesota set aside a portion of state sales tax revenue. Minnesota also has a license plate program for conservation and dedicates a percentage of lottery proceeds as well. Arizona and Colorado also set aside some lottery proceeds for conservation.

A few states, including Arkansas and California, as well as numerous local governments, have issued bonds to pay for the conservation of wetlands. Typically, these are general obligation bonds that require voter approval. California has a policy to designate a portion of their conservation bond proceeds for the on-going monitoring and assessment of the wetlands specifically preserved by the bond. This strategy could be used for any conservation funds as a way to help finance long-term monitoring efforts.

States use fees primarily to fund regulation activities. Michigan, one of two states to assume federal §404 responsibilities, charges a relatively small permit fee to augment their regulatory expenses. Most of their regulatory program is funded through state appropriations. States like North Carolina and Maryland charge higher permit fees. In North Carolina, permits cost $570 if the wetland area disturbed is greater than one acre or is within 150 feet of a stream; otherwise, the fee is $240. Applicants can pay higher fees in exchange for expedited review of applications. By state law, no more than one-third of the program can be funded by fees.

Maryland's permit fee program, with a minimum charge of $750 per application, went into effect on July 1, 2008. The program's passage marked the culmination of a 15-year effort to establish permit fees in the state. Maryland passed the legislation after the wetlands program built a partnership with the regulated community and leading environmental groups to support the fees. The regulated community received the benefit of faster turn-around times on applications, and the environmental community supported the increased quality of the permit reviews. The fee is earmarked for the permitting program and augments, not replaces, state appropriations. As a result, the Maryland program hopes to be able to return to its peak staffing levels.

What is the Sustainable Finance for State and Tribal Wetlands Project?

The Project is a joint effort of the Environmental Finance Center based at the University of North Carolina School of Government and the U.S. EPA's Office of Wetlands, Oceans and Watersheds, Wetlands Division. The project leaders are Glenn Barnes of the University of North Carolina and Romell Nandi of EPA.

The purpose of this multi-year project is to provide information, training, and direct technical assistance to state and tribal wetland programs on finance strategies as well as on skills to more effectively promote wetland programs to funders. Program marketing skill sessions include developing a program message and "elevator speech," better grantwriting, identifying potential partners, using the media, and developing finance plans. All of the skill sessions are based on input from state and tribal wetland program officials across the country.

The project has held introductory webinars and in-person sessions at national and regional wetland meetings over the past year, including the National Wetland Monitoring and Assessment Workgroup national meeting, the EPA Region 5 Surface Water Monitoring and Standards meeting, and the Association of State Wetland Managers' State/Tribal/Federal Coordination meeting, amongst others. Starting in June 2009, we are conducting in-depth, day to day-and-a-half trainings across the country. All states and tribes who participate in the full workshops will be given the opportunity to have a phone consultation with Glenn Barnes to help develop their wetland program finance plans.

Partner With Other Units of Government

Within all levels of government, states and tribes have many potential partners that can help meet wetland program goals. Partners offer financial assistance, shared human and physical resources, expertise, and political capital. Wetland programs should consider not only what the potential partner has to offer them, but what they in turn have to offer the partner.

Several examples of partnerships have already come up in this article. The collaboration between wetlands offices and state highway offices to permit wetlands impacted by road projects is an example of a partnership that offers both financial assistance and shared resources. The coalition that pushed for the Maryland permit fees is an example of a partnership that offers political capital.

The first place states and tribes should look for potential partners is within their own governments. One of the most successful intra-governmental partnership efforts is the Arkansas Multi-Agency Wetland Planning Team. This team is comprised of several state agencies: the Natural Heritage Commission; the Game and Fish Commission; the Department of Environmental Quality; the Natural Resource Commission; the Forestry Commission; and the University of Arkansas Cooperative Extension Service. The shared expertise and data has led to better project results. As a team, the agencies are no longer competing against each other for federal grants, and they are able to leverage the best grantwriting skills and political connections when applying for funding. The result has been more reliable funding, both from federal grants and from state funds as well.

A number of monitoring and assessment programs have successfully partnered with other water quality monitoring efforts within their state. Maine is one example, where the wetlands monitoring program shares laboratory facilities, data collection, and staff with the state's rivers and streams biomonitoring program, eliminating duplication of effort and of resources.

Local governments are another potential partner for wetland programs. This is true especially in "home rule" states where local governments have broad constitutional powers. One example is the bottom-up program in Connecticut, where local governments fund and operate 169 essentially independent wetland entities while the state provides oversight, technical assistance, training, and collaboration opportunities. In Massachusetts, local governments and conservation commissions share in permitting responsibilities, which are funded in part through local property tax revenue. California's monitoring and assessment team has worked closely with proactive local governments like Ventura County who keep detailed data on wetlands within their jurisdictions.

States and tribes can also look for opportunities to partner with each other. As mentioned above, the Torres-Martinez tribe has received conservation bond proceeds from the state of California to restore wetlands to the Salton Sea. The Mashantucket Pequot tribe and Connecticut have participated in joint training sessions, with the tribe contributing its knowledge of building around sensitive wetland areas and the state contributing its experience with mitigation banking. The six New England states and New York partner for regular training events and information sharing. They are also developing a regional rapid assessment method protocol to have consistency in assessing wetlands that cross state lines. The group is also working to develop a specialized tool for mapping wetlands in anticipation of the national wetlands assessment requirements.

Partner With Non-Governmental Organizations

The incentives for states and tribes to partner with non-governmental organizations are the same as for partnering with other units of government: financial assistance; shared human and physical resources; expertise; and political capital. In particular, states and tribes have forged successful partnerships with non-governmental organizations around two of the core elements, monitoring and protection/restoration.

There are several examples of wetland programs partnering with non-governmental organizations to conduct wetlands map-

Resources

All of the materials from trainings, including presentations, some audio recordings, the *Federal Finance Compendium for State and Tribal Wetland programs*, and skill-session exercises, are available from the project website: www.efc.unc.edu/projects/wetlands.

States and tribes that would like to schedule an in-depth training should contact Romell Nandi. Programs with content questions should contact Glenn Barnes.

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ping and other monitoring efforts. Indiana, Ohio and Michigan have all worked with the non-profit Ducks Unlimited to map wetlands within their states. Arkansas has partnered with the state university system for mapping and GIS assistance. California, which is very biologically diverse, has partnered with regional scientific centers that collect data on wetlands and other environmental features using their own funding base and local expertise.

Non-governmental organizations can also provide funding for conservation efforts. Private foundations have contributed a portion of the funding for the Torres-Martinez tribe's Salton Sea restoration project. The states of Oregon and Utah, among others, have received funding from the non-profit Nature Conservancy to purchase wetlands for conservation. The Nature Conservancy also works with tribes.

Conclusion

To be more sustainable in their financing, state and tribal programs need to diversify funding sources and find ways to accomplish more with the dollars they have. Across the country, wetland programs have found a variety of funding sources for program activity, including federal grants, state and tribal appropriations, fees, bonds, and partnerships with governmental and non-governmental agencies. Certainly, not every finance strategy outlined in this article is appropriate for every state or tribal program. Instead, states and tribes should determine their program goals and find the finance techniques that best meet those goals.

By determining what program areas are most appropriate based on their unique environment, staff expertise, and regional priorities, states and tribes increase the likelihood of securing grants and building partnerships. These partnerships often provide benefits beyond additional dollars in hand, such as improved coordination with other agencies, political capital, expertise, economies of scale, and generally greater efficiency. As a result, the program is likely to be more successful in achieving its goals, which in turn makes the program more likely to retain current funding and to secure new revenue sources. In other words, the program hopefully achieves a reputation for success within funding circles, which is perhaps the best sustainable finance asset of all. ■

Game Refuge Needs Refuge

The Mendenhall Wetlands State Game Refuge, 4,000 acres of bog near Juneau, Alaska, is in danger of being lost—not to development, but to land rise. *The New York Times* reported the story on May 18, noting that as Alaska glaciers melt, the land is rising, nearly 10 feet in 200 years, one of the most dramatic examples. Because of the change in topography, the Mendenhall Wetlands will dry out with no where to migrate. *Newsletter* columnist J.B. Ruhl, Professor at Florida State University, writes about the challenges that climate change poses to mitigation efforts: do we mitigate now or factor in potential climate change effects?
Read his column on page 29.

Photo courtesy of Janet Hall Schempf