

# Diagnostic for Public Funding

## **Background**

Source water protection in the United States is a growing sector of environmental investment<sup>1</sup>. Disparate actors are convening at the federal, state, and municipal level to identify funding strategies to both protect and restore source watersheds. They're collaborating for a variety of reasons: to minimize physical risks, comply with regulations, mitigate land use decisions, avoid capital and operational costs, and to steward co-benefits, such as biodiversity and carbon sequestration<sup>2</sup>

In North America, TNC chapters are engaged in a broad range of such political and environmental contexts, with highly variable goals. Chapters in the US West, including California, Colorado, New Mexico are developing projects to decrease wildfire risk and protect critical drinking water supplies. In the Midwest, chapters are leveraging TNC's on-the-ground relationships with producers to develop public funding strategies to encourage the uptake of agricultural BMPs in row-crop dominated landscapes. In the East, the Savannah River Clean Water Fund, which works across state borders in Georgia and South Carolina to protect the forested lands between the growing cities of Augusta and Savannah.

TNC chapters usually have the capacity and in-house skillsets to develop many critical pieces of a successful public funding mechanism, like a water fund. TNC's capacity to convene diverse partnerships and reputation as a science leader indicate the Conservancy is well-positioned to develop a transformative methodology for scaling these types of solutions across the United States. We have found, however, that chapter staff generally lack guidance on what public funding options are available to tap into to solve their local conservation challenges. TNC currently lacks the capacity to make evaluations in the early stages of planning about sustainable funding for these projects. The purpose of this report is to attempt to close the internal knowledge gap around sustainable funding, and to standardize, simplify, and lower the costs of funding feasibility studies.

## **The Diagnostic**

The *Diagnostic for Public Funding* provides a process by which public funding options can be investigated and evaluated for their feasibility in a given context. The Diagnostic should be used in the early stages of scoping a public funding strategy, and can be used as soon as securing public funding has been identified as a potential solution.

The Diagnostic provides a stepwise process for evaluation and decision making to determine the viability of a suite of public funding options. Depending on the context, however, steps may be taken out of order, or eliminated altogether.

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<sup>1</sup> 11.8% annual growth 2013-2015, "State of Watershed Investment", Forest Trends' Ecosystem Marketplace, 2016

<sup>2</sup> "Protecting Drinking Water at the Source, Lessons from United States Watershed Investment Program", World Resources Institute, Suzanne Ozment, et al. 2016

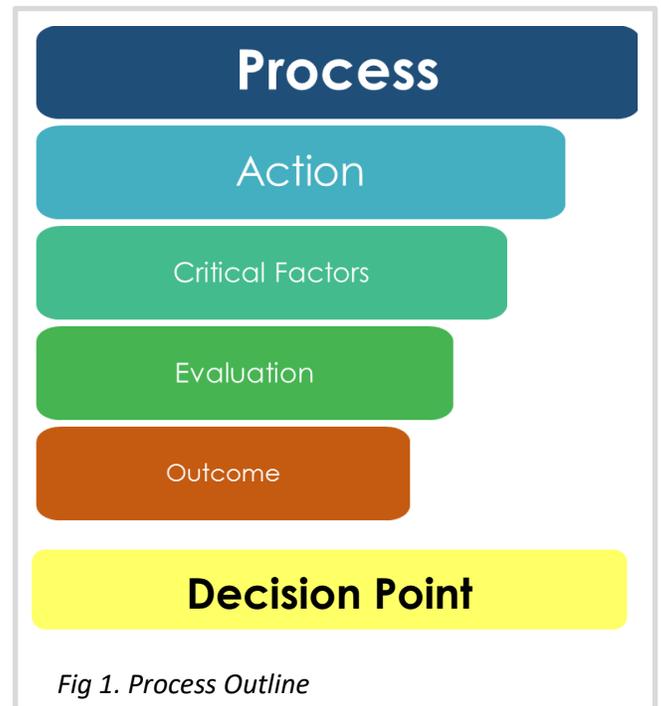
Each overall **Process** concludes with a **Decision Point**, where the decision to continue investing in a given strategy is evaluated holistically. These Decision Points allow for reflection on the results of the process, and an opportunity to assess the likelihood of success.

To inform the Decision Point, each **Action** identifies a set of **Critical Factors**: the criteria being evaluated in the Action, and the **Evaluation** itself: the set of questions being weighted against the factors. Evaluation questions may lead to qualitative or quantitative answers. The **Outcome** section provides deliverables for each Action, and can be used as a tracking tool for the resources developed in the Evaluation Process.

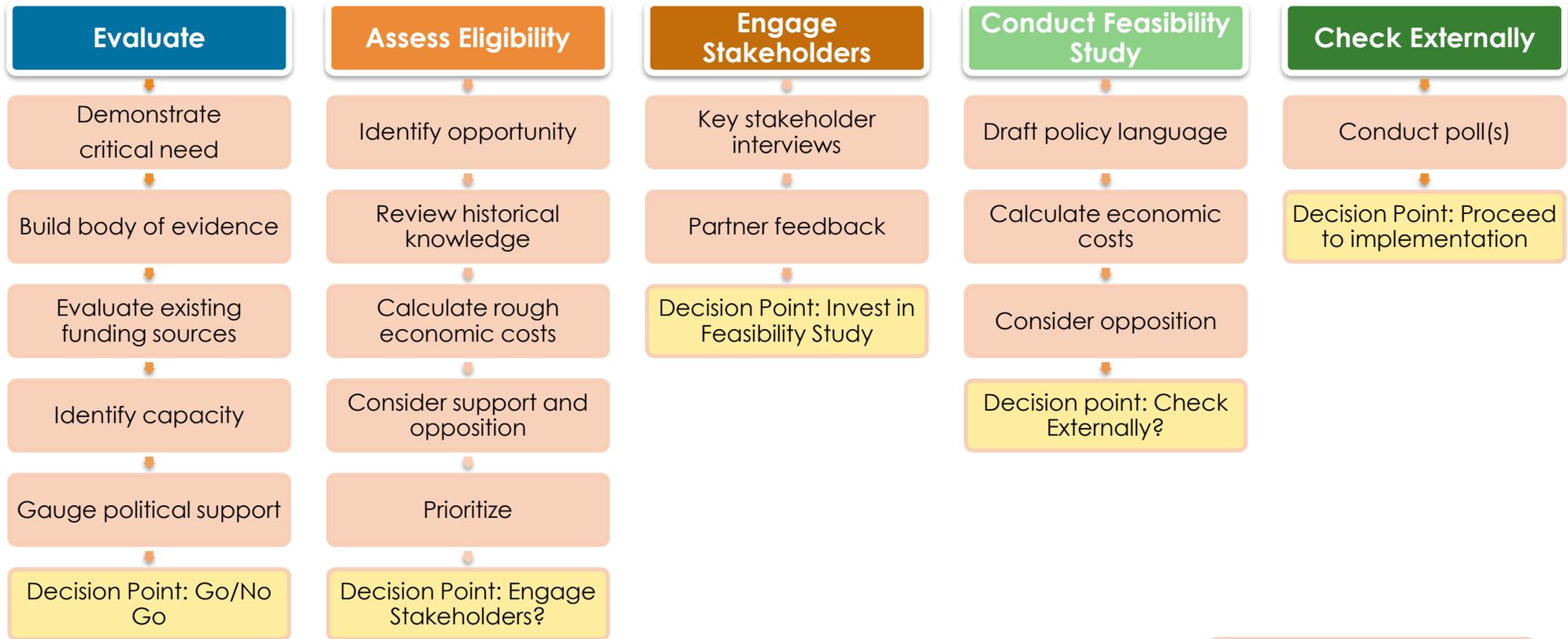
### How to Use

Answers to evaluation questions should be concise. In-depth research is generally not required, however, a more diligent process will yeild more robust results. The entire process is expected to be done with a small group of staff (less than 1 total FTE) over a period of 1 to 3 months. As public funding is a mix of political will and conservation need - it is imperative Conservation staff work in conjunction with Government Relations staff to ensure a viable final product.

It is expected that feasibility studies and polls would be contracted out, and are therefore generally not considered 'internal capacity'. As a result, those sections of the diagnostic are less comprehensive, as local contexts will factor heavily with each individual contractor on the scope of work for additional deliverables.



# Public Funding Diagnostic Summary



Action

Decision Point

*Note: This Summary outlines each **Action** under its **Process**. The diagram begins with **Evaluation**, with sequential steps toward the **Decision Point** at the bottom. The next **Process** begins only if the **Decision Point** recommends continued investment.*

# Evaluate

## Action 1: Demonstrate Critical Need

This action articulates the conservation challenge that will be addressed.

### Critical Factors

- Demonstrated conservation threat
- Compelling narrative

### Evaluation

- 1) Define the conservation challenge that will be addressed
  - a. How will conservation actions impact XYZ (ecosystem services, biodiversity)?
  - b. At what scale does this issue need to be addressed?
- 2) Describe ideal outcome
  - a. Create a list of goals for people, nature, and water security\* that are meaningful, clear and measurable. Identify all potential benefits and beneficiaries.

### Outcomes

- ✓ Conservation Needs Assessment
- ✓ “Elevator Pitch” of conservation challenge

## Action 2: Build Body of Evidence

Builds the case for why public funding, specifically, is necessary to solve the conservation issue.

### Critical Factors

- Demonstrated need for funding
- Projected stakeholder interest

### Evaluation

- 1) Why is public funding necessary to address this problem?
  - a. Is the need significantly larger/different than philanthropic investment?
- 2) Who is impacted, and what sectoral nexuses exist?
  - a. Identify stakeholders (direct and indirectly impacted by both the conservation problem, and potential solutions)
  - b. Where do stakeholders overlap? Are there any sectoral connections (Energy and Agriculture; Industry and Public users?)

## Outcomes

- ✓ Public funding justification
- ✓ Preliminary stakeholder list

### Action 3: Evaluate Existing Funding Sources

Evaluate existing funding sources to determine if a new funding source is necessary, or if existing sources can be used for the conservation issue.

## Critical Factors

- Cost to implement conservation
- Presence/Absence of existing funding sources
- Relevance & rigor of existing sources

## Evaluation

- 1) Estimate funding need to achieve ideal outcome (back of envelope)
  - a. Program costs (X cost per area \* total area) including design and monitoring costs
- 2) What existing funding sources could be doing this work?
  - a. Evaluate why they are or are not being successful?
  - b. Are there ways to adjust/expand current sources without creating new ones?
  - c. Can we leverage partners to increase investment from existing sources?
  - d. What's the added value of new funding compared to what already exists?

## Outcomes

- ✓ Estimated program costs
- ✓ Evaluation of existing public funding sources

### Action 4: Identify Capacity

Identify internal and external resources available to undertake this effort. Capacity needs will vary location to location but even initial scoping processes will require staff time.

## Critical Factors

- Availability of internal staff time and funding
- Availability of partner staff time and funding

## Evaluation

- 1) Estimate capacity needs for planning, design and implementation
- 2) Do we have the capacity resources (staff and funding) and the political capital to undertake this effort?
- 3) What capacity to we anticipate that we do not currently have?
- 4) Do we have natural partners who can contribute resources?
- 5) What studies do we know we will need to complete?
  - a. Technical, Legal, Monitoring, Financial, Communications Studies
- 6) Additional resource: WF Toolkit Feasibility Capacity Checklist

## Outcomes

- ✓ List of current capacity
- ✓ Prospective capacity additions
- ✓ Evaluation of partner capacity
- ✓ List of studies to be completed
- ✓ Completed WF Feasibility Capacity Checklist

## Action 4: Gauge Political Support

Identify likelihood of success based on current and projected political support.

## Critical Factors

- Current/Projected elected official support
- Current/Projected private support
- Current/Projected opposition
- Current/Projected community support

## Evaluation

- 1) Do we have political will? At what levels of gov't? Does this align with our needs?
- 2) Who will be the champions?
- 3) Who will be the antagonists? Make value judgments of worth.
- 4) How will the community (public, businesses, etc) react?

## Outcomes

- ✓ Support and Opposition Analysis

## Decision Point: Go/No Go

Given the results of the above exercises (and critical factors), can risks be mitigated? Do we anticipate a strong likelihood of success? What major stumbling blocks are anticipated? What additional information do we need?

# Assess Eligibility

## Action 1: Identify Opportunity

Identify what potential public funding source(s) are the best match for your conservation issue.

### Critical Factors

- ✓ Legality and rigor
- ✓ Size of potential source

### Evaluation

- 1) Legally permissible:
  - a. Is a new funding source legally permissible and likely to be unchallenged?
- 2) Using the Fundraising Menu, which options seem most feasible, given your local context?
  - a. Consider [best practices for State Conservation Programs](#)

### Outcomes

- ✓ List of legally feasible options

## Action 2: Review historical knowledge

Check viability of funding options with historical knowledge to determine what is most likely to be successful.

### Critical Factors

- Analogous previous funding sources
- Positive or negative feedback
- Validity of assumptions

### Evaluation

- 1) Is there precedent?
  - a. What has worked in our context?
  - b. What has worked in similar contexts?
- 2) What do we know *won't* work?
- 3) What assumptions do we have about this potential source?
- 4) What lessons learned could be shared to avoid starting from scratch?
- 5) What obstacles have been preventing the implementation of these actions in the past (awareness, capacity, interest, legal barriers, financial constraints, etc.)?

## Outcomes

- ✓ Examples of reference programs
- ✓ Elimination of unlikely or ineligible sources
- ✓ List of assumptions
- ✓ Lessons learned

## Action 3: Calculate Rough Economic costs

Identify costs to stakeholders i.e., cost per capita, per household, or per constituent

## Critical Factors

- Relative cost per stakeholder

## Evaluation

- 1) Is it going to generate substantial revenue?
- 2) What will the cost per constituent?
- 3) Stability of funding source?
  - a. Note: a contracted feasibility assessment will more definitively answer these questions, but it will be valuable to make at least qualitative assessments about potential funding sources.

## Outcomes

- ✓ Summary of funding costs per constituent
- ✓ Evaluation of funding stability

## Action 4: Consider support and opposition

Examines potential opposition in relation to specific suite of funding sources.

## Critical Factors

- Competition for funds
- Strength of opposition
- Anticipated opposition narrative
- Influence of champions and key stakeholders

## Evaluation

- 1) What competition will there be with other funding needs?
- 2) What specific opposition do we anticipate?
  - a. Are they influential/well-resourced?
  - b. What compelling counter-narrative could they conceive?
- 3) What equity implications need to be taken into consideration?
- 4) What key stakeholders need to be involved, and to what extent? What communications are important, and when?

## Outcomes

- ✓ Funding competition analysis
- ✓ Opposition strength analysis
- ✓ Equity analysis
- ✓ Key Stakeholder List

## Action 5: Prioritize

Synthesizes completed analyses to examine which options are most feasible.

## Critical Factors

- Comparative strength of sources

## Evaluation

1. Which options seem most viable given the previous analyses?
2. Do we have any blind-spots, and can they be addressed now?
3. Is now the right time for this?

## Outcomes

- ✓ List of most viable options

## Decision Point: Go/No Go

Given the results of the above exercises (and critical factors), can risks be mitigated? Do we anticipate a strong likelihood of success? What major stumbling blocks are anticipated? What additional information do we need? Do we comfortable talking with trusted partners about our ideas?

# Engage Stakeholders

## Action 1: Key Stakeholder Interviews

Challenges assumptions and validates/invalidates proposed strategy.

### Critical Factors

- Positive/Negative feedback from stakeholders

### Evaluation

- 1) Are our assumptions being challenged or confirmed?
- 2) What suggestions will we incorporate?
- 3) Does a given stakeholder seem inclined to join us as a partner?
- 4) Based on feedback, what additional information do we need?

### Outcomes

- ✓ Potential to narrow down list of funding sources
- ✓ Incorporate feedback

## Action 2: Partner feedback and insight

Receive feedback on political viability and test assumptions associated with proposed strategy.

### Critical Factors

- Positive/Negative feedback from political strategist/partner

### Evaluation

- 1) Are our assumptions being challenged or confirmed?
- 2) What suggestions will we incorporate?
- 3) Based on feedback, what additional information do we need?

### Outcomes

- ✓ Potential to narrow down list of funding sources
- ✓ Incorporate feedback

## Decision Point: Go/No Go

Given the results of the above exercises (and critical factors), can risks be mitigated? Do we anticipate a strong likelihood of success? Do we feel ready to invest in a formal feasibility study?

*Next Steps:*

## Conduct Feasibility Study

1. Draft policy language
2. Calculate economic costs
3. Consider opposition
4. Decision Point: Check Externally?

## Check Externally

1. Scope coalition development
2. Polling
3. Decision Point: Proceed to implementation?