

The Natural Filters Restoration Program

Brief Discussing Program Concept and Development Needs

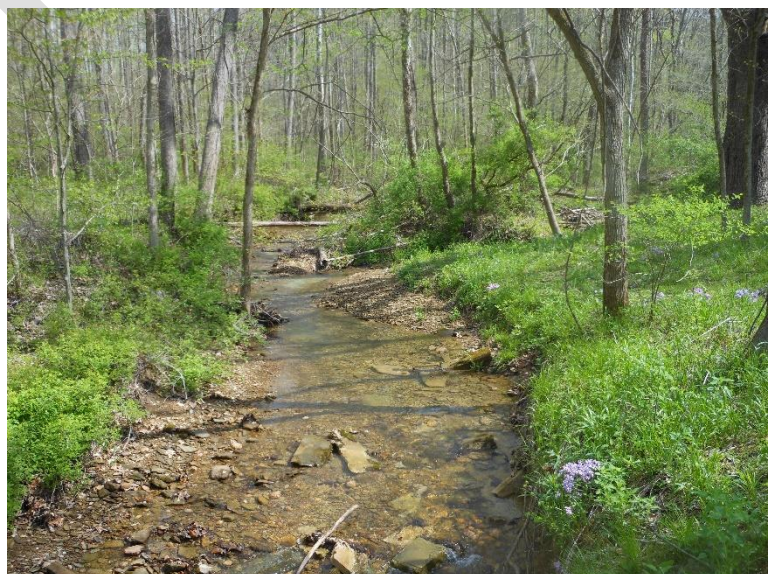
Natural filters support clean water, native fish and wildlife, and climate change resiliency among other co-benefits including many for people (e.g., public health, recreation, etc.). In addition, natural filter practices like riparian forest buffers are some of the most cost-effective practices for reducing pollution runoff. But Bay Agreement goals for wetlands are 11% where they need to be and buffers are at 6% according to the most recent Bay Barometer. In fact, buffers and other natural filters have been decreasing even as they are being targeted to greatly increase in state WIPs.

To address these short-comings, a team at the Bay Program has been working to develop the Natural Filters Restoration Program (NFRP). This Program would coordinate existing efforts, and existing sources of funding, into a formidable program strengthened by key collaborations and conservation finance. NFRP would be driven by a consistent stream of public-private financing --- the Natural Filters Fund -- that would become revolving as natural filters become established practices that can be purchased from the Fund at a discounted rate. The revolving nature of the Fund provides long-term financial stability that is needed to grow our network of partners and develop the needed restoration workforce.

NFRP is a Pay for Success public-private partnership model. The target indicators will be designed to insure that the Program provides co-benefits, such as habitat, flood protection and carbon sequestration. In addition, practices will be designed to provide additional economic opportunities to landowners e.g., through carbon credits or other commodity from the area in practice. Our current model provides incentives to landowners and to private investors to try, develop, and demonstrate new implementation approaches that achieve additional efficiencies.

The aim of NFRP is to scale-up delivery and implementation of natural filters practices. Outreach, technical assistance, implementation and maintenance comes are all done by “Stewards”. Payments to stewards and landowners can be upfront by the Fund, simplifying which can otherwise be a drawn-out process. The landowner is ensured ensuring success—the onus falling to the Steward needing to reach verification in ~4 years. The Fund is likely managed by a private entity for efficiency and to relieve the burden from state government but this will need to be worked out by higher-level managers. The Fund manager provides financing for projects from a combination of private foundations (e.g., Program Related Investments) that will be leveraged by a base of public funding (e.g., Clean Water SRF). The Fund also receives funding from the entity purchasing practice credits once they are verified.

Our team is currently working with conservation finance experts to refine the Program model, identify private sources of financing, and implement a



pilot study. The NFRP model could be applied Bay-wide, but there will likely need to be a separate Natural Filters Fund in each state. As such, we need jurisdictions to work with us to determine how the Program should look and operate in each state.

Our Ask of the Management Board

On August 13, our team presented to the Management Board on how they could help us help them (see Buffer Placemat document). We requested that a person in each jurisdiction be designated to help us develop a brief state buffer action plan, which will include, but isn't limited to:

- Identifying existing sources of funding that could be channeled into the NFRP (for example, SRF or 319 dollars), and determining what enabling conditions are needed to make these changes. We will also determine how the NFRP will interface with existing state water quality trading programs.
- Modify 1-2 landowner assistance programs to better incentivize forest buffers; for example, making forest buffers a requirement for accessing other funding. This is an important step because volume creates efficiency and helps develop workforce capacity.
- Develop a plan for increasing and retaining buffer technical assistance providers, including looking at opportunities to expand cross-training with other sectors.

As such, this point person ideally would be involved with water quality programs and should have authority and access to state Secretaries. The person does not have to be a state employee but must be able to speak on behalf of the state.

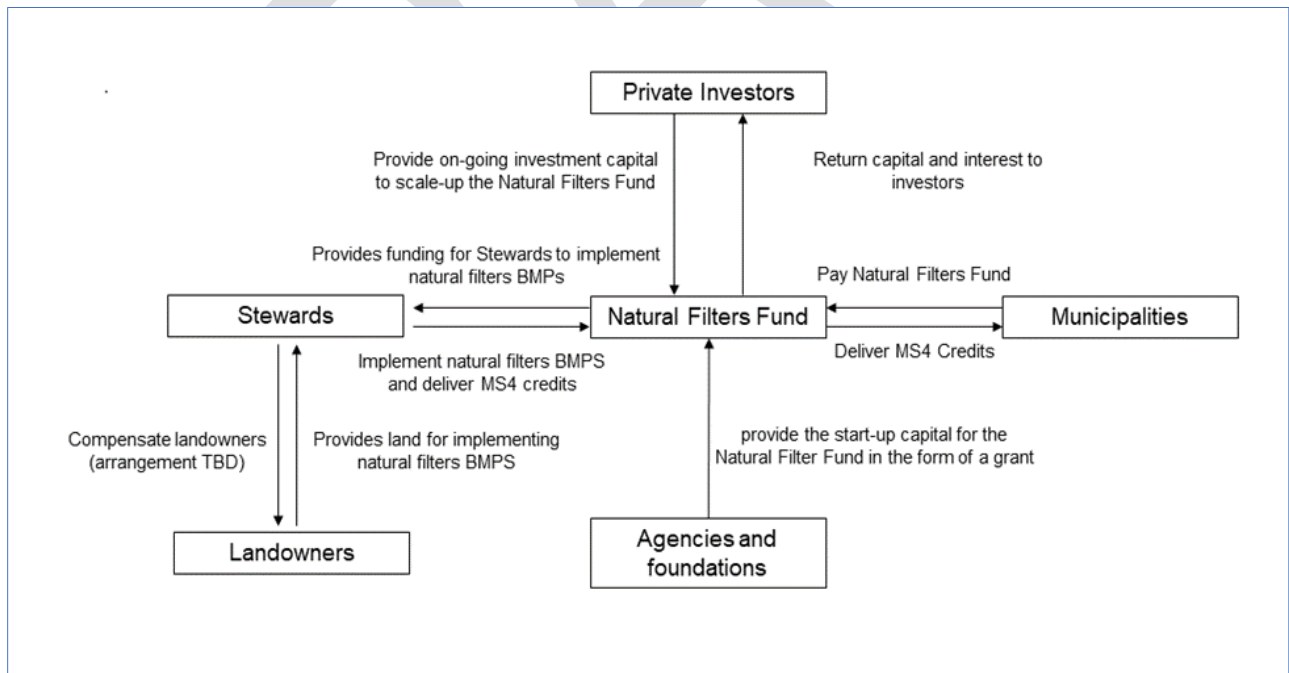


Figure shows conceptually how NFRP could work. This model is based on MS4 credits being one of the drivers.