

Kootenai River Habitat Restoration Project Master Plan



Chapter 8 – Funding

Kootenai Tribe of Idaho
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8 Funding

This chapter presents a conceptual funding strategy and a preliminary analysis of potential funding sources for implementation of the Kootenai River Habitat Restoration Project.

8.1 Overview

As explained at the beginning of this document, this Master Plan provides a framework for an ecosystem-based habitat restoration project. Because the Kootenai River Habitat Restoration Project covers such a large area and is designed to address such a complex combination of interrelated limiting factors, it will likely take a number of years to complete the habitat restoration work. This will likely result in various restoration phases being implemented in different reaches at different times. Funding availability, environmental compliance, and permitting schedules may also influence, and be influenced by, the selected approach to implementation sequencing. Later design phases of this project will consider funding and sequencing in greater detail with the recognition that the Kootenai River Habitat Restoration Project is a single endeavor with component parts that are all inter-linked and inter-dependent.

The purpose of this chapter is to outline a conceptual funding strategy and investigate potential funding sources that could be used to implement the specific on-the-ground habitat restoration activities that will be identified and refined in the next phases of this project.

Shortly after completion of this Master Plan, the Tribe in coordination with their agency partners, and with input from regional co-managers and other stakeholders, will identify immediate implementation priorities and associated habitat actions, as well as a process for prioritizing and sequencing subsequent project actions (see discussion of next steps in Chapter 9). The Kootenai Tribe expects that once specific preliminary project actions are identified, and a process has been confirmed to prioritize and sequence longer-term project actions, the Tribe with assistance from their agency partners and other interested stakeholders, will refine and implement an appropriate targeted funding strategy for the implementation of the entire Kootenai River Habitat Restoration Project.

This Master Plan presents conceptual costs for a range of potential implementation scenarios (Chapter 7). As previously explained, more precise cost estimates will be developed in subsequent project phases once specific project actions and associated implementation sequencing are identified and preliminary and final design work is initiated. These refined cost estimates will also be critical in developing and securing funding sources for this project. However, for the time being the potential implementation scenarios and associated conceptual cost ranges helped the Tribe in thinking about how to frame this conceptual funding strategy.

The Kootenai Tribe received funding for the development of this Master Plan from the Bonneville Power Administration (BPA) through the Northwest Power and Conservation Council's (NPCC) Fish and Wildlife Program (Project 200200200). The Tribe anticipates that funding for planning and design activities, environmental compliance, and additional targeted data collection and analysis associated with the next phases of this project will also be provided at least in part by BPA through the NPCC's Fish and Wildlife Program (see Chapter 9 discussion of next steps).

The conceptual funding strategy presented in this chapter is based on the following assumptions:

- Funding will be needed primarily for implementation of habitat restoration actions;
- It is possible that some funding might be needed for habitat acquisition and/or leases;
- The Kootenai River Habitat Restoration project will likely be implemented at multiple sites and in different reaches of the river in sequenced phases, with some of the component projects being relatively small and simple and others being comparatively large and complex;
- The project phases will be implemented within an adaptive management framework, such that design and implementation of later phases of the project are informed by data and information gathered through actions implemented in earlier phases;
- Although sequencing of the project implementation will in all likelihood be necessary for a variety of reasons, the Tribe also recognizes that there are benefits to completing major project components as quickly as possible (e.g., urgent ecological need for habitat improvements, opportunity to maximize ecological value and minimize construction impacts, and the potential for reducing costs); and
- Construction related to the first phase of habitat restoration actions is targeted to begin in 2012.

8.2 Conceptual Fundraising Strategy

Although it is difficult to identify details of a fundraising strategy before specific restoration actions have been selected, the Tribe recognizes the importance of anticipating the scale of potential restoration efforts since this will be a critical variable in developing and implementing a fundraising strategy. This is one of the reasons the Tribe has provided illustrative examples of potential minimum, moderate and maximum implementation scenarios and developed conceptual cost estimates associated with each of these scenarios. However, it is important to understand that the final project implementation scenario may be different than any of the illustrative examples provided in this Master Plan.

In developing this Master Plan and discussing the approach to funding, the Tribe and their agency partners agreed that a desirable approach to funding would be a strategy that relies on multiple funding streams, with each source tapped to provide funding for specific elements of the larger ecosystem restoration project.

Such a strategy would ordinarily be executed primarily by securing funds from a variety of competitive grant and loan sources offered by federal and state agencies, with the potential for some additional funding from private sources. The challenges associated with this approach are that it is time-consuming to execute and is subject to the award limits of each of the competitive grant programs. Given these constraints, the Tribe believes it would be very difficult to raise more than \$8 to \$10 million per year using this approach, and even raising that amount would probably require a significant commitment of time and resources to fundraising activities.

Depending on the scope and scale of the selected habitat restoration scenario, and on the approach to implementation sequencing, it is likely that a dedicated revenue source of considerable size will be needed. While the specific restoration activities and implementation

sequencing will not be identified until the next phases of the project, for the purposes of this chapter the Tribe is assuming that the selected restoration actions will be substantial enough to warrant securing a dedicated revenue source.

The Tribe is recommending the following interim funding strategy, which will be updated, refined and expanded once the initial restoration activities have been prioritized and the approach to project implementation and sequencing has been confirmed:

- The Kootenai Tribe and their agency partners will pursue one or more dedicated revenue sources to serve as cornerstones of the funding strategy and the largest contributors to funding needs;
- Conventional funding sources, including competitive grants and landowner incentives, will be sought to address specific restoration needs;
- All funding sources will be focused on addressing the goals, objectives, and restoration strategies identified in this Master Plan through specific project actions that will be identified and prioritized in the next phases of the project; and
- The Kootenai Tribe in coordination with their agency partners will ensure that capacity is in place to efficiently design, construct, and maintain projects so that initial funding is used effectively.

It is important to note that the federal agencies, while supportive of the project, are prohibited from lobbying Congress. Towards this end the Tribe, co-managers, stakeholders, and other project supporters will play a central role in educating and informing key constituents and potential funders about the project.

The next sections identify potential funding sources and provide a preliminary analysis of the appropriateness of the funding source to the project, as well as identifying specific challenges or opportunities associated with each potential funding source.

8.3 Large-Scale Dedicated Funding Sources

The cornerstone of the recommended funding strategy is securing at least one very substantial funding source that is adequate to fund a major portion of the restoration program. The following sections describe potential large-scale dedicated funding sources.

8.3.1 Water Resources Development Act

The Water Resources Development Act (WRDA) is a bill that is periodically approved by the U.S. Congress that authorizes a wide variety of flood control, water supply, and restoration projects throughout the country. It is the principal mechanism for authorizing large-scale restoration projects under the U.S. Army Corps of Engineers (USACE) restoration authorities.

Typically, WRDA authorizations follow the template of standard USACE projects, with major reconnaissance and feasibility studies that precede construction funding and substantial cost-sharing requirements; however, it is also possible to customize the authorization to secure more flexible terms.

WRDA bills have been infrequent in recent years and it can be difficult to garner the administrative and Congressional support needed to enact a new project-specific authority. In addition, the authorization must be followed by appropriations to the project and there is currently a significant backlog of authorized but under-funded projects nationwide. WRDA 2007 was five years overdue and authorized over 900 water resources projects at a cost of about \$23 billion.

WRDA is one of the few options for a targeted source of funding that is large enough to fund most or all of the Kootenai River Habitat Restoration Project. Pursuing WRDA would be contingent on strong support from the Idaho and Montana Congressional delegations.

Timeline: WRDA bills are theoretically compiled and passed every two years.

8.3.2 Northwest Power and Conservation Council's Fish and Wildlife Program

The NPCC's Fish and Wildlife Program is intended to mitigate the impact of Columbia Basin hydropower dams on all fish and wildlife species of the basin. The Council makes recommendations on the investment of BPA hydropower revenues to a wide variety of fish and wildlife projects, including habitat acquisition and restoration, studies, monitoring, and public education. Projects are solicited in annual grant rounds, reviewed by a panel of independent scientists, and proposed to BPA for funding.

The Fish and Wildlife program is funded at approximately \$130 million per year, with roughly 30 percent or \$35 to \$40 million per year spent on habitat projects. The Kootenai Tribe of Idaho has been successful at securing \$3 to \$5 million per year for fish and wildlife mitigation projects from the program. Collectively, all project sponsors in the Kootenai subbasin have secured \$46.3 million (an average of \$6.6 million annually) between FY 2001 and 2008 for fish and wildlife projects.

The continuation of annual Fish and Wildlife Program grants to the Kootenai River Habitat Restoration Project is addressed later in this paper. There may be potential to increase the BPA funding commitment beyond the annual grant process. There are strong arguments for a larger-than-average federal role in the recovery process, including the strong correlation between Libby Dam operations and sturgeon declines and the recent settlement of a third-party lawsuit that commits the USACE and BPA to support the restoration effort. If there is willingness to consider a larger BPA commitment, a memorandum of agreement may be the appropriate avenue.

Recently, BPA, USACE, and the Bureau of Reclamation have entered into five separate memoranda of agreement (MOA) in 2008 as a result of court-ordered collaborative processes referred to as the Fish Accords. These agreements address fish affected by federal dams of the Federal Columbia River Power System and will result in numerous new projects and dedicated funding for certain on-going projects (such as watershed restoration programs) throughout the Columbia River Basin for the next 10 years. Annual funding commitments for tribal MOA participants are between \$15 and \$19 million (not including hatchery capital commitments or inflation adjustments). BPA and the Kootenai Tribe discussed the Tribe's participation in Accords as they were being negotiated, at that time the Tribe elected to not enter into an Accord. Development of a new Accord or similar agreement may still be a possibility.

With or without development of a Fish Accord, BPA funding at an enhanced level may require an adjustment to rates through BPA's normal rate-setting process. A rate case is a biennial process

to adjust power and transmission rates for BPA customers. Through the rate case, BPA develops a proposal for rates that is reviewed by customers and other parties through a formal hearing process, which concludes with the BPA Administrator issuing a Record of Decision and filing the new rates with the Federal Energy Regulatory Commission for final approval. In addition to the standard process, there is an opportunity to revisit rates between formal rate cases in special circumstances.

Timeline: A MOA between BPA and the Kootenai Tribe could be negotiated at any time, pending willingness of both parties to enter into such an agreement. If an adjustment of rates is needed, BPA will issue a federal register notice in the summer of 2010 to allow interested stakeholder groups the option to participate in the FY 2012-2013 rate case.

8.3.3 Economic Stimulus Funding

In 2009, the incoming Obama administration and Congress pursued and passed a major economic stimulus package to address the U.S. economic recession. The resulting American Recovery and Reinvestment Act of 2009 was passed by Congress on Feb. 13, 2009 and signed into law by President Obama on February 17, 2009. The final version is estimated by the Congressional Budget Office to cost \$787 billion over the 2009-2019 time frame.

The American Recovery and Reinvestment Act of 2009 was designed to provide additional funding for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization, for the fiscal year ending September 30, 2009, and for other purposes.

Part of that stimulus package included an emphasis on green investments, projects and programs to restore the environment, promote alternative energy sources, and reduce reliance on foreign oil. Substantial stimulus funds have been identified for environmental restoration actions including watershed restoration as part of the American Recovery and Reinvestment Act of 2009.

Environmental restoration stands out as a stimulus option even among green investments. Efforts like the Kootenai River Restoration Project have been shown to be unusually effective at creating jobs, supporting local producers and suppliers of goods and services, and pumping money into local economies quickly and efficiently. Moreover, they are effective at stimulating economies in rural areas that have lagged in employment and wages and are likely to be hardest hit in a downturn.

The 2009 stimulus package specifically sought out “shovel ready” projects; unfortunately, the Kootenai River Habitat Restoration Project was still in the conceptual planning stage in 2008-2009. The Obama administration has discussed the possibility of additional stimulus funding in 2010 depending on the scale and speed of U.S. economic recovery. Congressional support for additional stimulus funding would also be required and at the time this Master Plan was being completed, it is not clear whether there will be adequate support to pass an additional stimulus package. The Kootenai Tribe will continue to track availability of future funding opportunities associated with economic recovery.

Timeline: Although the Kootenai River Habitat Restoration Project did not have any “shovel-ready” components identified in time to secure funding from the American Recovery and

Reinvestment Act of 2009, depending on the scale and speed of economic recovery, there may be opportunities to secure additional stimulus funding in 2010 or beyond.

8.3.4 Appropriations Request

Significant amounts of appropriations are annually provided by Congress on a discretionary basis throughout the United States for various purposes. The Kootenai Tribe has discussed the possibility of receiving such an appropriation with the Idaho and Montana Congressional Delegation recognizing the project helps satisfy ESA, Treaty and Tribal Trust and other federal requirements, as well as the numerous benefits the project offers to Idaho and Montana constituents. Strong Idaho, Montana and Northwest Congressional support for an appropriation will be essential. The Kootenai Tribe and co-managers and stakeholders will continue to work with Congress to identify options.

Timeline: An appropriations request must be completed no later than January 2010 for FY 2011.

8.4 Competitive Grants

Recognizing that securing a single large source to fund the restoration program is likely to be challenging, an annual fundraising program focused on promising grant, loan, and incentive programs may offer more promise in the short run. In a preliminary analysis, the following sources seemed to provide the most promising opportunities.

8.4.1 Potential Sources of Larger Awards

The following sections present potential sources of larger competitive grant awards (i.e., \$1 million or more).

8.4.1.1 Northwest Power and Conservation Council Fish and Wildlife Program

As previously indicated, the NPCC's Fish and Wildlife Program is an excellent source of annual funding for fish and wildlife mitigation projects and has been used to great effect by the Kootenai Tribe of Idaho to date. This is an obvious choice for continued annual fundraising efforts.

Timeline: At the time this document was being finalized, the NPCC had not identified a specific timeframe or specific process for the next Fish and Wildlife Program project solicitation. The Tribe anticipates that new projects in the Kootenai region will likely be reviewed in early 2010 for funding in FY 2010 and future years.

8.4.1.2 U.S. Fish and Wildlife Service Cooperative Endangered Species Fund

This funding source is authorized by Section 6 of the Endangered Species Act (ESA) and provides funding for habitat conservation planning and land acquisition to benefit federally listed species. Section 6 of the Endangered Species Act provides grants to states and territories to support participation in a wide array of conservation projects for threatened and endangered species, as well as for species that are either candidates or have been proposed for listing.

This program provides three types of grants:

- Recovery Land Acquisition Grants – These grants provide funds to states and territories for acquisition of threatened and endangered species habitat in support of approved and draft species recovery plans. Acquiring habitat in order to secure long-term protection is often the critical element in a comprehensive recovery effort for a listed species.
- Habitat Conservation Planning Assistance Grants – This category provides funds to states and territories to support the development of Habitat Conservation Plans (HCPs).
- HCP Land Acquisition Grants – These grants provide funds to states and territories to acquire land associated with approved HCPs. They do not fund mitigation required of an HCP permittee, but rather, support acquisitions by the state or local governments of habitat that complement actions associated with the HCP.

For the first time, for fiscal year 2010, the USFWS will also be incorporating aspects of climate change when evaluating the proposals submitted through the Cooperative Endangered Species Conservation Fund.

Awards of several million dollars are possible, although the majority of awards are in the \$100,000 to \$700,000 range. A grant of \$1.5 million was provided to The Nature Conservancy in 2008 for conservation easement acquisition in the Kootenai Valley. The majority of program funding is provided through a national competition and the program is moderately competitive.

Timeline: Proposals for 2010 are due by August 19, 2009. The Proposal deadline for 2011 has not been identified at this time.

8.4.1.3 Environmental Protection Agency Targeted Watersheds Grants Program

This is a fairly new program and has just completed its fourth annual grant round, in which it allocated \$16 million to watershed-specific restoration programs across the United States.

Established in 2003, the Targeted Watersheds Grant program is designed to encourage successful community-based approaches and management techniques to protect and restore the nation's watersheds.

Individual grants for the latest round are for a maximum of \$900,000 and require a 25% match. The program is unusually flexible in eligible activities and has been widely used for watershed restoration strategies. Funding for continuation of the program is contingent on annual appropriations. Projects are reviewed and ranked at the regional and national level, and the program as a whole is moderately competitive.

Timeline: Submissions are typically due in September. At the time this document was being completed, eligible geographic areas had not been selected for 2009 submissions.

8.4.1.4 USFWS North American Wetlands Conservation Act Grants

This program provides grants to organizations and individuals to preserve and restore wetlands and associated upland areas. The North American Wetlands Conservation Act (Act, or NAWCA) of 1989 provides matching grants to organizations and individuals who have developed

partnerships to carry out wetlands conservation projects in the United States, Canada, and Mexico for the benefit of wetlands-associated migratory birds and other wildlife.

There is a Standard and a Small Grants Program:

- The Standard Grants Program – Supports projects in Canada, the United States, and Mexico that involve long-term protection, restoration, and/or enhancement of wetlands and associated uplands habitats.
- The Small Grants Program – Operates only in the United States; it supports the same type of projects and adheres to the same selection criteria and administrative guidelines as the U.S. Standard Grants Program.

Grants in the standard program often exceed \$1 million, while the small grants program is capped at \$75,000. A dollar-for-dollar match is required. Funds from U.S. Federal sources may contribute towards a project, but are not eligible as match. Projects are subject to a complex review process, including reviews by a “joint venture” board and a national review. The program is moderately competitive.

Timeline: There are two standard grant deadlines typically in early March and August.

8.4.1.5 U.S. Army Corps of Engineers Section 1135 Program

This program permits the USACE to cost-share restoration projects in areas degraded by the construction or operations of USACE projects. Specifically, under the authority provided by Section 1135 of the Water Resources Development Act of 1986, the USACE may plan, design and build modifications to existing USACE projects, or areas degraded by USACE projects, to restore aquatic habitats for fish and wildlife.

Individual projects may cost up to \$5 million in federal share and a non-federal cost share of 25% of construction costs is required. The Kootenai River Habitat Restoration Project would be eligible for funding under this program by virtue of the impacts of the operations of Libby Dam, a USACE facility. Two Kootenai River projects were recently awarded funding under this program. The program is highly competitive.

Timeline: No specific timeline for the application. Initiation of projects will typically require an earmark of funding in the federal Energy and Water budget bill that is considered annually by Congress between January and April.

8.4.2 Potential Sources of Smaller Awards

The following sections describe potential funding sources for smaller awards (i.e., less than \$1 million).

8.4.2.1 U.S. Fish and Wildlife Service National Fish Passage Program

This program provides financial and technical assistance to remove or bypass artificial barriers that are impeding the movement of fish and contributing to their decline. The range of projects funded has included large-scale dam removals to simple culvert repair. This program could be an annual source of small funding streams (generally less than \$100,000). Projects are reviewed and

prioritized on a Regional basis and typically require a 50% match, although there is some flexibility. The program is moderately competitive.

Timeline: Proposals must be submitted to the local Fish and Wildlife Management Office by August of each year.

8.4.2.2 U.S. Fish and Wildlife Service Tribal Wildlife Grant Program

Tribal Wildlife Grants are used to provide technical and financial assistance to Tribes for the development and implementation of programs that benefit fish and wildlife resources and their habitat. This is an annual funding source and the maximum award for any one project under this program is \$200,000. Recipients are selected through a nationally competitive process. Proposals are evaluated according to resource benefit, performance measures, work plan, budget, capacity building and their partnerships and contributions.

Timeline: Proposals are typically due by the beginning of September.

8.4.2.3 State Revolving Fund

State Clean Water Revolving Funds, authorized under the Clean Water Act, provide financial assistance for water quality projects including wastewater treatment, non-point source water quality management, watershed protection or restoration, and estuary management projects. Assistance can include instruments such as loans, refinancing, and debt guarantees.

In the past several years, the EPA has encouraged states to increase funding for non-point source pollution, habitat restoration and estuary projects. Fundable projects in 2006 ranged from \$150,000 for planning to \$15,000,000 for constructing infrastructure.

8.5 Other Potential Funding Sources

The following sections identify a number of other potential funding sources. As the planning for the project progresses into the preliminary design phase, the Tribe will continue to investigate other potential funding sources as well as cost-sharing opportunities.

8.5.1 Natural Resource Conservation Service Farm Bill Conservation Incentive Programs

Large segments of the Kootenai River are bordered by private land in farm and residential uses. Landowner incentives will rarely be sufficient to support major restoration projects, but they can encourage voluntary conservation action on private land that can complement the larger projects.

The Farm Bill suite of programs is provided through the Natural Resource Conservation Service (NRCS) to private farmers to promote conservation projects on their property. The programs include the Environmental Quality Incentives Program (EQIP), the Conservation Reserve Program (CRP), the Wildlife Habitat Incentives Program (WHIP), and several others. Many provide land rental and cost sharing for conservation practices under multi-year contracts with the landowner. In addition, the Conservation Innovation Grants (CIG) awards grants to landowners for innovative conservation projects.

The farm bill programs vary in competitiveness, with grant programs far more competitive than rental and cost-sharing programs. NRCS Farm Bill programs include:

- Wetlands Reserve Program (WRP) – Seeks to protect, restore, and enhance wetlands on private land. Agreements can be 10-year restoration cost share, 30-year conservation easements, or permanent conservation easements.
- Environmental Quality Incentives Program (EQIP) – Emphasizes that agricultural production and environmental quality are compatible. EQIP provides incentives to landowners that implement conservation practices on their land, including wildlife habitat management.
- Wildlife Habitat Incentives Program – Provides landowners with technical and financial assistance to protect and enhance wildlife habitat.
- Conservation Security Program (CSP) – Rewards good stewardship on private land. In 2006, CSP in Idaho focused on the Clearwater and Lower Bear River-Malad watersheds.
- Conservation Innovative Grants – Development and adoption of innovative conservation technologies.
- Grassland Reserve Program (GRP) – Protects, enhances, and restores grassland, rangeland, pastureland, and shrubland on private lands.
- Conservation Reserve Program (CRP) – CRP provides annual rental payments to landowners that practice soil conservation, primarily through conversion of highly erodible lands to resource-conserving vegetative covers, such as native vegetation.

Timeline: Applications for rental and cost-sharing programs can be submitted on an on-going basis. Conservation Innovation Grant applications are typically due in mid-February.

8.5.2 Mitigation/Conservation Banking

Public works agencies and private developers are increasingly looking at off-site restoration options to mitigate for environmental impacts of their construction projects, and a variety of mitigation banking programs and other mitigation alternatives have been created across the United States to meet these needs. The Idaho Statewide Transportation Improvement Program (STIP) identifies several state highway projects in the vicinity and there may be other development activity that could contribute funding to a restoration project in the Kootenai corridor. This would be pursued through consultation with the project managers of the relevant projects.

Timeline: Varies by project. Mitigation requirements are generally established one to two years after project initiation on larger highway projects.

8.6 Summary

The Kootenai Tribe believes securing funding for the Kootenai River Habitat Restoration Project will require a concerted effort focused jointly on the large dedicated source or sources and on maintaining and broadening the annual fundraising effort focused on competitive grant sources.

An annual grant-seeking effort focused on \$8 to 10 million in revenue, the maximum that could be expected from this approach, is a considerable undertaking and is likely to require the services of dedicated staff. Experienced fundraisers suggest that a dedicated fundraising staff is likely to be far more successful than distribution of fundraising responsibilities among stakeholders.

One of the immediate priorities of the next phase of the Kootenai River Habitat Restoration Project will be to secure the necessary resources and cooperation to further develop, refine, and implement a suitable funding strategy for this important project.

The Tribe looks forward to working with agency partners, co-managers, and interested stakeholders to identify and secure the funding and cost-share opportunities necessary to successfully implement ecosystem-based habitat restoration actions in the Kootenai River.